Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,386 Wednesday November 11 1987 D 8523 A

Telit saga: glimpse at the Byzantine world of politics, Page 2

World News

Europe to go ahead in space without UK

West European ministers took the historic decision to go ahead with a $13bn space programme and develop Europe's own vehicles to take astronauts into space by the year 2000.

The programme will go ahead without the support of Britain, which maintains that developing a West European manned space capability does not make sense commercially. Page 26

'Progress' made in Syria-Iraq talks

Jordan reported significant progress in its efforts to reconcile Syria and Iraq, two of the Arab world's most bitter foes.

It said reconciliation talks between Presidents Hafez al Assad of Syria and Saddam Hussein of Iraq promised a "new era" in relations, but observers cautioned against hopes for any sudden withdrawal of Syrian support for Iran in the Gulf war. Page 26

Dhaka police shoot 3

At least three people were killed and scores injured when police opened fire on violent mobs in Dhaka, Bangladesh. Fifteen policemen were also injured and more than 300 demonstrators were arrested. Page 26

US aid cuts 'likely'

The US was likely to cut its foreign aid to developing countries because of moves to reduce its budget deficit, Agriculture Secretary Richard E. Lyng said. Page 4

Basque strategy

Prime Minister Felipe Gonzalez and all but two of Spain's political parties signed a pact ruling out political concessions to guerrillas and calling for a European crackdown on terrorism, aimed at ending Basque separatist violence.

Manila reviews bases

Philippines senators decided to appoint a special committee to make an urgent study on the need for continued American military presence in the country. Spain gives notice, Page 3

Soviet lay-offs loom

About 60,000 employees of Moscow-based government ministries will lose their jobs by 1990 in an efficiency drive which has already provoked complaints among those dismissed, an official Soviet newspaper said. Yeltsin dilemma, Page 26

Singapore bomb blasts

Two bombs exploded in Singapore's financial district, causing slight damage but no casualties. Page 6

Athens smog alert

Industrial fuel consumption was cut by 30 per cent, central heating was shut down in state buildings and only cars with even-numbered plates were allowed to enter Athens as heavy smog enveloped the city and triggered emergency measures. Page 3

Gibraltar flight demo

About 12,500 protestors - more than a third of Gibraltar's population - staged a demonstration against granting Spain joint use of its airport.

Missiles 'a threat'

Libya said a US decision to ship Stinger anti-aircraft missiles to Chad threatened Libyan security and exacerbated tensions between the two African countries.

Niger president dies

President Seyni Kountche, who ruled Niger for 13 years, died in a Paris hospital aged 56 after operations for a brain tumour.

Doubts on democracy

Two-and-a-half years of government by civilian politicians had given democracy a bad name in Brazil, according to a newspaper poll. Page 4

Business Summary

Abu Dhabi buys stake in French oil group

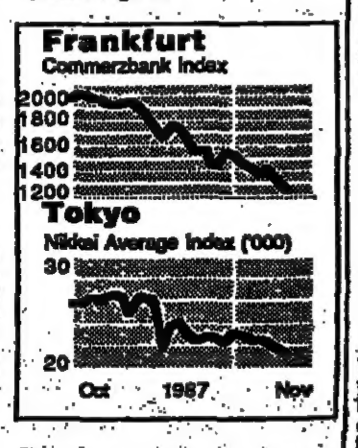
ABU DHABI Investment Authority has built up a stake of more than 5 per cent in Total Compagnie Francaise des Petroles, large French oil group, over the past few months. Page 26

GENERAL CINEMA, diversified US theatre chain and soft drinks bottler, stepped into the London market and swept up nearly 10 per cent of Cadbury Schweppes, the UK confectionery and soft drinks group. Page 27

SHEARSON Lehman Brothers, leading Wall Street investment house, suffered an after-tax loss of "approximately $70m" in October because of the turmoil in the world's equity markets. Shearson said more than half the loss was due to a $40m net charge on underwriting obligations in the unsuccesful BP issue. Page 27

WALL STREET: The Dow Jones industrial average closed down 22.05 at 1,878.15. Page 48

LONDON: UK equity market put on a strong performance despite dollar uncertainties. Leading stocks resisted the slide in other markets and recovered from a substantial early setback. FT-SE 100 index showed a net gain of 8.3 to 1,573.5. Page 44



TOKYO: Yen's continued sharp rise against US dollar, combined with an overnight tumble on Wall Street, pulled share prices down steeply in Tokyo. Nikkei average retreated 731.91 to 21,686.46, its third successive fall. Page 46

CANADIAN Pacific, diversified Canadian conglomerate, continued its turnround in the third-quarter with net profits of C$159.6m (US$121.8m), or 53 cents a share, up from C$51.3m, or 17 cents, year earlier. Page 27

WAL-MART Stores, large southern retailing group, reported a 41 per cent rise in earnings in third-quarter of $136.1m or 24 cents a share on revenues of $4.01bn in the October-quarter. Page 27

HOLDERBANK, Swiss cement group, expects a rise of about 19.2 per cent in net earnings this year, to SFr285m ($209.5m). Page 28

SAINT-LOUIS, France's second largest sugar producer, is to launch a FFr60m ($10.7m) capital increase to protect itself from a possible hostile takeover. Page 28

DEUTSCHE Genossenschaftsbank, West German co-operative bank, and the trade union owners of Volksfuersorge, insurance company, are holding talks aimed at creating West Germany's second-largest insurance group. Page 27

MESA Limited Partnership, main corporate vehicle of Mr T. Boone Pickens, Texas corporate raider, raised its stake in Singer, US defence electronics group, to 9.9 per cent.

ASEA, Swedish electrical engineering group, said group profits (after financial items) rose by 17.6 per cent to SKr648m ($106m) in the third-quarter, compared with SKr551m in the 1986 period. Page 28

MONTEDISON, Italy's chemicals, pharmaceuticals and financial services group, is to postpone a planned L1,028bn ($837m) rights issue because of conditions in the equity markets. Page 28

DOLLAR UNDER PRESSURE • SHARES TUMBLE • US ADMINISTRATION CRITICISED

Reagan declares the dollar has fallen far enough

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE US DOLLAR has fallen far enough, President Ronald Reagan said yesterday in response to renewed turmoil in the financial markets following a report that Washington wanted a further decline in its currency.

"I don't look for a further decline. I don't want a further decline," the President said in off-the-cuff remarks.

Asked if he meant a decline from where the dollar has now fallen to, he said: "From where it is right now," adding: "We are not doing anything to bring it down."

Mr Reagan's comments followed a report in the New York Times yesterday quoting anonymous Administration officials as saying they welcomed the dollar's fall and refusing to say how much lower they would like to see it go.

"Asked if the Federal Reserve (the US central bank) was intervening . . to stabilise the (foreign exchange) market by buying dollars, one (official) said: 'We don't answer that question, but the answer is no,'" the report said.

This triggered a sharp decline in the dollar in early trading amid renewed signs of anxiety on Wall Street. It appeared to substantiate remarks 10 days ago by Mr James Baker, the Treasury Secretary, that the US was shifting policy to permit a decline in the dollar.

Yesterday's statement by Mr Reagan appeared to calm the markets temporarily . But it failed to clarify the Administration's dollar policy and left uncertainty as to how long the beneficial impact of the President's remarks would endure.

Currency traders are continuing to focus on the budget talks on Capitol Hill in the hope that a breakthrough on a deficit reduction package will reassure the financial markets about Washington's determination to address the issue.

Senator Robert Byrd, Senate majority leader, yesterday remarked that "good progress" was being made in the talks, which he said he hoped could finish this week.

But privately one top staff official on the Democratic side of the negotiations said that there was little progress. He added that he hoped the participants in the talks would soon stop leaking to the press the packages they were putting on the table and get down to serious negotiations.

Peter Montagnon, World Trade Editor, adds: Speaking in Geneva yesterday, Mr Clayton Yeutter, US Trade Representative, said global trade imbalances should be addressed by government fiscal and monetary policies rather than by exchange rate adjustment in the market place.

Mr Yeutter declined to say whether he thought the dollar's latest fall was desirable, but he told journalists the US trade deficit would decline over time.

"I happen to think that it should be done by the government rather than through exchange rate adjustment in the market place. If it is not done by governments, then the market place is going to do it. That's

Continued on Page 26

ON OTHER PAGES

Miyazawa calls for rise in US taxes

BY STEFAN WAGSTYL IN TOKYO AND SIMON HOLBERTON IN LONDON

MR KIICHI MIYAZAWA, the Japanese Finance Minister, yesterday called on President Ronald Reagan to accept the need for tax increases and made his most strident public criticism so far of the US Administration's attitude to the turmoil in world financial markets.

His comments followed another unsuccessful attempt by the Bank of Japan to arrest the slide of the US currency, and equally fruitless attempts by European central banks to control the dollar's fall against their currencies.

In late London and early New York trading, the dollar did recover some of the ground lost in earlier European trading, following comments by President Reagan that he did not want to see the dollar fall from current levels.

But currency traders and economists discounted the effect of the President's words on the market, and said the partial recovery did not reflect a change in sentiment towards the US currency. With a national holiday in the US today and the release of US monthly trade figures tomorrow, short-term speculators took the opportunity to realise trading gains, they said.

In spite of Bank of Japan purchases of up to $500m, the dollar fell to new lows against the yen in Tokyo. In Europe it continued its slide, marking new all-time lows against the D-Mark and the Swiss franc. The Bundesbank, the West German central bank, and the Swiss National Bank, both intervened in the markets yesterday in modest amounts.

Mr Miyazawa blamed the US dollar's continuing decline on the absence of progress in talks in Washington on the American budget deficit.

His tone reflected the increasing anger among government and central bank officials in Tokyo at Washington's apparent inability to tackle the budget deficit issue. Japanese officials are annoyed that Washington is seemingly ready to see the dollar fall further, while Japan continues its attempts to support the US currency.

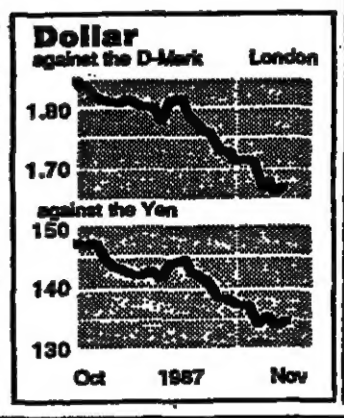
According to European central bankers, the US Federal Reserve Board has not been active in foreign exchange markets to support the dollar. Over the past 10 days, the Fed has intervened only once, they said.

A Bank of Japan official said it was wrong of Washington to tolerate a further decline in the dollar. The central bank would continue supporting the US currency, he said.

Kiichi Miyazawa

The Japanese attitude is in marked contrast to Europe, where central bank intervention has been token and only to break the fall in the dollar. There appears little sign of a concerted attempt by European central banks to attempt to reverse market sentiment. "We are concerned that the market remains orderly," said one official.

In New York the dollar closed at DM1.6645, Y134.45, FFr5.6545, SFr1.3645. In London it closed firmer at DM1.6650, compared with DM1.6590 on Monday, at Y134.50, (Y134.20) and at SFr1.3650, (SFr1.3635). The pound closed in New York at $1.7860. It closed in London at $1.7860 compared with $1.7950 on Monday, and at DM2.9725 (DM2.9775). The Bank of England's trade-weighted sterling index closed at 75.5, against 75.6 on Monday.



Superpower nuclear stockpile 'continues to grow'

By David Buchan in London

THE US and Soviet Union have steadily increased over the past year the number of nuclear weapons in categories in which they are trying to negotiate mutual reductions and, perhaps more worrying, in other areas so far outside any negotiation.

This is the sober assessment of the International Institute for Strategic Studies (IISS) in the latest issue of its authoritative Military Balance published today.

The Institute expresses cautious optimism at the impending Intermediate Nuclear Forces (INF) accord, but notes that it has had no effect yet on the superpower nuclear arsenals, which in the past 12 months have improved in quality and grown in numbers.

Possibly the most significant increase that the IISS notes has been in sea-launched Cruise missiles (SLCMs). These weapons fall outside the remit of both the draft INF treaty and the Strategic Arms Reduction Talks (Start). In the past year the US doubled the number of its SLCM launchers from 164 to 328, while the corresponding Soviet increase was from 774 to 854. The numerical disparity is offset by the fact that US SLCMs have five times the 500km (325-mile) range of the comparable Soviet weapon.

One of the most likely options for Nato to reinforce its nuclear deterrent, once ground-launched INF missiles are withdrawn by treaty from Europe, is the assignment of some of this rapidly rising force of American SLCMs to Western alliance commanders.

The INF treaty, expected to be signed when President Ronald Reagan and Mr Mikhail Gorbachev meet in Washington on December 7, will not take effect until ratification (a lengthy process in the case of the US Senate) is completed on both sides. But if it were implemented today, the Institute notes, it would mean the removal on the Western side of 256 cruises, 108 Pershing 2 missiles and 72 Pershing 1 missiles (all with a single warhead), and on the Soviet side of a total of 1,585 warheads mounted on 441 SS-20, 112 SS-4, 130 modified SS-12, and some 20 SS-23 missiles.

The tiny deployment of this last category of Soviet missile, the SS-23, has caught Western analysts by surprise and led them to exaggerate Soviet strength in the lower range of INF. It is now clear that, in proposing last spring the "double zero" elimination of missiles of 500-1,000km range as

Continued on Page 26

World stock markets fall as Europeans retreat

BY SIMON HOLBERTON IN LONDON

WORLD EQUITY markets plunged yesterday as the combined weight of uncertainty over the dollar and a retreat by investors in European bourses gathered pace.

Only in London was there a sign of investor confidence returning. Share prices rose for the first time in the past six trading days. On Wall Street the market remained nervous.

Although a lower dollar should benefit US exporters, Wall Street appears uneasy about the wider economic impact of a steep devaluation. The Dow Jones Industrial Average was off more than 45 points in quiet early trading. It recovered some of the lost ground by 2.30pm when it was down by just over 9 points, but closed with a loss of 22.05 at 1878.15.

The wave of equites' selling began in Tokyo where the continuing decline in the dollar hit shares badly. The Nikkei index of leading stocks closed down 731.91 at 21,686.46, far below 21,910.08, its previous low for the period since October 20 when the plunge in world equity markets began.

But it was in European bourses where prices were marked down most. In Frankfurt, 6½ per cent was wiped off West German equity values, while, in Paris, French stocks retreated by around 7 per cent and in Zurich prices fell 6 per cent.

The fall in share markets forced two leading European companies to postpone major equity issues. Montedison, the leading Italian chemicals, pharmeceuticals and financial services group, said it would defer a L1,025bn ($837m) rights issue, and Norsk Hydro, Norway's biggest public company, said it would defer its NKr3bn ($476.1m) rights issue.

In the Paris bourse three leading companies - Lafarge Copee, Paribas and Peugeot - were suspended from trading because they had suffered falls of greater than 10 per cent in one day. The stock market is estimated to have fallen by up to 7 per cent overall, but no actual figures are available due to a bomb scare towards the close of trading.

In London, share prices ended higher on the day. The FT-SE 100 index closed 8.3 points higher at 1,573.5, after an erratic day which saw the index 3.5 per cent down during the morning, and stage two later recoveries in the afternoon. The FT Ordinary share index closed 14.9 points higher at 1,246.9.

Analysts said they saw signs of institutional support for shares during the day, reversing the trend of the past few days when prices were marked down largely on inter-dealer dealings. They noted that the cash flows of City of London institutions seemed to be improving following significant drains to the cash reserves from the BP issue and other underwriting obligations.

But the analysts said the stock market crash of three weeks ago had exposed the vunerability of European bourses to foreign

Continued on Page 26

Italian unions threaten strike over Goria's budget package

BY JOHN WYLES IN ROME

THE Italian Government's tortured attempts to inject more austerity into its 1988 budget plans yesterday led to an explosion of dissent within the coalition and warnings from trade union leaders that a general strike was now "inevitable".

Mr Giovanni Goria, the Prime Minister, last night outlined a revised package in a speech to the Senate which had been delayed for more than an hour because of a Cabinet row sparked by the Liberal Party.

As the tiniest member of the Government, the Liberals are anxious to claw back some ground lost in the June general election which reduced their share of the vote to 2.1 per cent. Until now they have fought a successful battle in the Cabinet in support of reducing health taxes on small businessmen and independent entrepreneurs.

At the end of yesterday's Cabinet meeting, Mr Valerio Zanone, the senior Liberal in the government, said his party found the revised package objectionable and hinted that his party might even withdraw from the government. Mr Zanone said the decision to postpone alterations in tax rates in favour of middle and low incomes was in breach of the policy agreement upon which the Goria government was founded.

He added that all the amendments made by the Government were fiscal, and therefore likely to reduce demand, when it should be cutting wasteful spending.

Mr Goria's speech confirmed that the Government had brought down its 1988 budget deficit target from the L109,500bn ($89.5bn), adopted at the end of September to L103,500bn, 9.9 per cent of gross domestic product. Increases in VAT would be delayed as well as tax reductions, while proposed cuts in employers' social security contributions would be halved. The Prime Minister added that the Government was studying measures which would bring the deficit down to L100,000bn next year.

The changes had been made necessary by the deteriorating international climate and the risk of rising domestic inflation. The Government's target on this front remained unchanged at 4.5 per cent, said Mr Goria.

The shelving of the tax cuts for the lower paid and the general lack of economic stimulus has outraged the trade unions, whose leaders will meet today to decide whether and when to call a general strike. One leader of the CGIL, the largest confederation, said last night that a stoppage was inevitable.

Companies, meanwhile, are lamenting the absence of any measures to improve their competitiveness. They had asked for reductions in social security payments worth L5,000bn, were offered cuts of L2,000bn in September and now these have shrunk to just L1,000bn.

CONTENTS

Boris Yeltsin, party leader in the Soviet capital, whose views upset hardliners, Page 26

YELTSIN AFFAIR PUTS GLASNOST AT RISK

EUROPEAN NEWS

French court defends ruling in radio case

BY GEORGE GRAHAM IN PARIS

FRANCE'S supreme court yesterday hit back after criticism over its vulnerability to political pressures.

The court's members met yesterday in an extraordinary general assembly and expressed its "indignation at the intolerable and partisan campaign" waged against it since it decided to suspend the judicial investigation of a pro-government member of the national broadcasting authority, the CNCL.

He had been charged with favouring his political friends in the selection of radio stations for the crowded Paris wavebands and had sued the judge running the investigation.

But the court's members are divided among themselves. Some fear the decision to suspend investigation could undermine the judicial investigation process by setting a precedent for magistrates to be sued by those they have charged.

"The breach opened by this decision, if it were to be finalised and applied generally, would paralyse the course of justice," the French association of investigating magistrates said.

Another magistrate's union, the Syndicat de la Magistrature, went further in its criticism, wondering whether the supreme court's decision to suspend the investigation of one CNCL member, Mr Michel Droit, was influenced by the fact that it had itself nominated another member, Mr Yves Rocca, to the broadcasting authority.

The court has now been attacked on the other flank by two radio stations which were refused wavelengths, and which are civil plaintiffs in the now suspended investigation. They have appealed to the European Human Rights Commission, on the grounds that the suspension denies them their right to a fair trial.

Observers believe the court has now manoeuvred itself into a no-win position by deciding to suspend the investigation immediately, before deciding on the substance of the case.

Even if the judge in charge of the CNCL investigation may have overstretched himself in accusing Mr Droit of the esoteric and spectacular offence of "forfaiture", or abuse of authority, observers say the court has appeared to give Mr Droit a privileged status before the law because of his eminent position.

● French defence spending next year will go up by 4.4 per cent to FFr176.6bn ($31.1bn), according to the Defence Ministry budget. All the increase is concentrated on buying military equipment, which will go up by 6 per cent to FFr93.2bn, whereas current expenditure remains static and falls to less than 48 per cent of the budget total.

The nuclear chapter of the budget includes refits of the submarines Indomitable and Terrible to take the M4 missile, continued development of the new M5 multi-warhead missile, and the continued development of the Hades medium-range surface-to-surface missile, which is due to replace the Pluton in the early 1990s.

The budget also provides for the development of the advanced Rafale fighter, which is scheduled to come into service in 1996.

Discussions start on national energy plan

BY JOHN WYLES

ITALIAN PARTY leaders started grappling yesterday with the need to produce a new national energy plan, and a package of legal reforms in the wake of last weekend's referendum - the least popular in Italian history.

The Government will have to fill a gap created by the referendum which has removed five laws from the statute book by majorities ranging from 71.8 per cent to 85.1 per cent. But the 65.2 per cent turnout was lower than in any previous Italian poll of any kind and the 13 per cent of spoiled and blank ballot papers was way above average.

As in previous elections, there was a substantial north-south divide: turnout in the north was around 72.7 per cent, but in the south it was only 52.6 per cent. In some parts of Calabria, less than half of those entitled actually voted.

Mr Bettino Craxi, the Socialist Party leader who insisted on the referendum being held, yesterday tried to provoke Italy's largest party and his main rivals, the Christian Democrats, by suggesting that the turnout was the result of their barely-existent campaign.

While the major parties were all campaigning for "yes" votes, the huge majorities in favour of striking down the five laws would have been much reduced if the Communist party had not succeeded in getting its vote out in the northern "red belt," particularly in Emiglia Romana and Tuscany.

Critics of the referendum, who include many ordinary Italians, argue that people stayed at home because they did not understand the issues and felt that the referendum was not being put to proper use. In the past, Italian referendums have settled great issues of principle, such as divorce or abortion, by voting to leave existing legislation in place. The principles in last weekend's exercise were not easily identified,

Turning to the future, the politicians will have to fill the gaps left by the legislation which will be removed from the statute book after a pause of 120 days.

On the nuclear question, the task may be less difficult than it appears because there are some basic points of agreement within the five-party coalition. These could enable Italy to keep its three small nuclear stations, and complete one under construction. Previous plans for another six or seven reactors, however, would be shelved until "safer" technology arrives.

There is less agreement about the magistracy because the Socialists want a citizen to be able to seek financial compensation from magistrates for wrongful arrest and other misdemeanours through the courts. The Christian Democrats, by contrast, would leave complaints to be judged by the magistrates' own governing body and compensation to be paid by the state.

However, the Justice Minister, Mr Giuliano Vassalli, himself a Socialist, has prepared some draft legislation which will probably be the basis for some fierce bargaining within the coalition.

Craxi: blaming the Christian Democrats for poor turnout in referendum

Swedish unions react angrily to ceiling on wage rises

BY SARA WEBB IN STOCKHOLM

THE SWEDISH Government's proposals to impose a ceiling on wage increases for the public sector have met with strong criticism from the non-Socialist opposition parties and from the trade unions, who described the proposal as an insult to the state sector.

Mr Kjell-Olof Feldt, the Finance Minister, presented a package of financial measures on Monday evening aimed at reducing inflation, which is running at a higher level than in Sweden's main competitors and is forecast at 5 per cent next year. The measures include a 4 per cent ceiling on wage increases for state employees for next year and incentives aimed at stimulating household savings.

At the same time, the Government plans to raise SKr1.5bn (£139m) from a new turnover tax on bonds, options and futures. The proposals have to be discussed in committees before they are presented to Parliament at the beginning of next year.

The plan to impose cash limits met with strong opposition, as this would be the first time that the Swedish public sector has been curbed in this way.

The unions had earlier suggested a form of trade-off whereby a promise from the Government to reduce payroll taxes would make the unions more willing to accept lower wage increases. However, Mr Feldt has rejected such a deal, to the dismay of the opposition parties and against the advice of the Social Democratic party's traditional ally, the Communist Party, which yesterday warned that the cash limits plan could be a vote-loser in next year's general election.

The Government said that any rise above the 4 per cent limit would have to be offset by increased productivity or other savings, for example through job-cuts.

An increase of 4 per cent represents an increase of SKr3.5bn on the state sector wage bill. Though the limit does not cover local authority employees, the Government expects these workers' wage increases to be in line with the state sector increases.

The government's proposed turnover tax of 0.03 per cent on interest-bearing paper such as bonds and money market instruments, as well as on options and futures, has already been dubbed the *valpskatt* - literally the "whelp tax" or yuppie tax.

It is clearly meant as a sop to the unions which resent the way the financial markets have grown so rapidly in the past couple of years, spawning a generation of well-paid yuppies whom the leader of the Trade Union Confederation, Mr Stig Malm, scathingly refers to as Sweden's "financial whelps."

Mr Feldt said that he proposes to increase household savings by encouraging people to place money in certain tax-advantaged savings funds which are managed by the banks and which invest in bonds and shares. With the stock market crash still fresh in people's memories, the measure is unlikely to appear attractive just now, but the Government believes it will appeal to long-term savers.

Alan Friedman on the failure of an Italian merger

Telit saga offers a glimpse of Byzantine world of politics

IN ITALY THE most popular metaphor being employed to describe last week's collapse of the planned merger of the Italtel state telecommunications company with Telettra, the Fiat data transmission subsidiary, is that of an "unconsummated marriage."

Marital metaphors aside, the one thing on which everyone in Italy agrees is that it was a good idea to create Telit, the umbrella company that was to have led to a unified telecoms business with $1.5bn of turnover and a chance to compete more effectively on the European market.

Indeed, for the past two years since the Telit talks began, the merger of Fiat's. Telettra (sales of $440m last year) with the IRI Stet state group's Italtel ($1.1bn of 1986 sales) has been deemed highly logical and even essential for the future of the Italian telecoms sector.

The plan would have given Fiat and IRI-Stet each 48 per cent of Telit, with the remaining 4 per cent in the hands of Mediobanca, the Milan merchant bank. Once formed, Telit would have agreed a Europe-wide venture with Ericsson, Siemens, Alcatel or another of its foreign suitors.

Why then did Telit fall apart? The answer takes one immediately into the Byzantine world of Italian politics and especially into that peculiar *demi-monde* of relations between the private sector and state industry.

The key players in the Telit saga include IRI Stet, which is heavily influenced by the Christian Democrats; Italtel, the operating company whose managing director, Mrs Marisa Bellisario, has ties to the Socialist party of former prime minister Bettino Craxi; and Fiat itself, which despite being a private company tends to have as much political clout in Rome as most parties.

Relations between private and state industry have always been intensely political in Italy, but lately the two have been making very heavy weather of restructuring industries that have overlapping capacity. The reasons for this are not clear to the Italian public and cause much consternation among potential foreign corporate partners.

Industrial fiefdoms

As a rule of thumb the Italian political class appears to wish to protect state industrial fiefdoms that form part of the *sottogoverno* while private companies such as Fiat, which have grown extremely strong and self confident in recent years, wish to ensure that even in joint ventures with the state they emerge with effective control.

The Fiat-Stet talks began two years ago, but by the autumn of 1986 the matter ran into controversy, first over the proposed shareholding structure and then over the valuations provided by Arthur Andersen and Price Waterhouse. It was eventually agreed that Telettra would be valued at L420bn, Italtel at L810bn and thus Fiat would pay L176bn of compensation to achieve shareholding parity in Telit.

By early 1987 the deal appeared to have been agreed between Mr Cesare Romiti, Fiat managing director, and Mr Giuliano Graziosi, Stet managing director. At the time the plan was for Telit's president to be Mr Rafaele Palieri of Telettra Its managing director would be either Mr Salvatore Randi, the Stet director general who had worked previously at both Telettra and Italtel, or Mrs Bellisario, who had brought Italtel out of losses in a textbook turnaround.

Fiat has always preferred Mr Randi, who once worked for the Turin group, to Mrs Bellisario, who despite a solid track record is seen by Fiat as being too close to the Socialists. The Telit matter stalled in the spring as it became apparent that Italy was headed for early general elections. The deal eventually won formal approval from Stet, IRI and the Government. But problems began mounting again this summer when Prof Romano Prodi, IRI chairman, told Mr Romiti he "wished to name Mrs Bellisario as managing director."

On September 22, four days after Mrs Bellisario was named by IRI to the Telit job, Fiat released a violently worded communique in which it threatened to pull out of Telit because of what it called a "unilateral act" in naming Mrs Bellisario. IRI replied that Mrs Bellisario had been named for her proven managerial capacity and that in any case the accord allowed Fiat to name the president and IRI Stet the managing director. Fiat has maintained instead that both appointments had to be agreed by mutual consent.

Parliamentary inquest

When, last Thursday after a month of attempted mediation by Mr Antonio Maccanico, the Mediobanca chairman, Fiat pulled out of the merger alleging that pacts had been infringed, the political aspect of the Telit failure seemed to revolve around a clash between Fiat and the Socialists.

A parliamentary inquest is expected to investigate the matter shortly. It has been learned, meanwhile, from an extremely reliable source inside a Fiat-controlled company, that long before the conflict over Mrs Bellisario broke out, the Telit deal had already involved some political horse trading.

Early this year, with the Socialists dragging their feet and the Telit talks stalled, the source said that Mr Gianni Agnelli, the Fiat chairman, called upon Mr Ciriaco De Mita, the Christian Democrat party secretary, to discuss Telit and to seek support for an expeditious conclusion of the merger. The discussion between Mr Agnelli and Mr De Mita, according to the source who is personally close to Mr Agnelli, also touched upon the editorship of the *Corriere della Sera*.

Some while after the Agnelli-De Mita conversation is said to have taken place, Mr Piero Ostellino, the Corriere editor who was deemed by Mr De Mita to be anti-Christian Democrat, was removed from his post

After consulting Mr Agnelli in New York, a Fiat spokesman said in Turin yesterday that the Fiat president had not met Mr De Mita during this period of time (January and February 1987) and that, therefore, he had not had a conversation with the Christian Democrat leader on the subject of Telit.

Now, however, Telit is dead and both Italtel and Telettra are expected to seek separate accords with foreign partners. It is often difficult for the foreign observer to appreciate the convoluted behind the scenes dealings between Italy's private and state sectors. They are one reason, perhaps, why so many such attempted ventures, regardless of their industrial logic, tend to fail in Italy.

EUROPEAN NEWS

Calls grow for W German tax cuts

BY DAVID MARSH IN BONN

DOMESTIC PRESSURE on the West German Government to decide an economic stimulus intensified yesterday as the dollar fell to a new low against the D-Mark and shares slid again on the Frankfurt stock market.

Parliamentary deputies from the junior party in the Bonn coalition, the liberal Free Democratic Party (FDP), appeared at a meeting in Berlin to be moving in favour of bringing forward to 1989 planned tax cuts due in 1990.

Mr Otto Lambsdorff, the FDP parliamentary economics spokesman and former Economics Minister, said the DM20bn net tax cuts scheduled for 1990 should be brought forward to head off dangers for the export-dependent economy caused by the dollar's decline. The US currency was set at the midday fixing session yesterday in Frankfurt at DM1.6530, almost two pfennigs lower than DM1.6719 on Monday.

However, Mr Martin Bangemann, the FDP Economics Minister, stuck to his guns yesterday by affirming that no new policy measures were needed. According to an Economics Ministry spokesman, Mr Bangemann, who was being interviewed by a BBC TV team preparing a film on the West German economy, denied that the country's outlook had suffered as a result of the latest financial market turbulence.

The Opposition Social Democratic Party (SPD) meanwhile called for a speedy meeting of the seven main industrial nations to try to calm the international currency unrest. Mr Wolfgang Roth, economics spokesman in the SPD parliamentary grouping, urged a West German budgetary package to expand the economy based on additional spending on job creation and the environment.

Mr Karl Schiller, the former SPD Economics and Finance Minister, has also called for the Government to cut taxes immediately by up to 10 per cent to speed up the domestic economy. Such a move would be possible under the 1967 Stability and Growth Law which in recent years has fallen into disuse.

Parts of the governing Christian Democratic Union (CDU) have also been coming out in favour of expansionary measures. The party's Social Affairs Committee, a pressure group representing working class interests within the CDU, recently put forward proposals for a DM10bn job creation package.

The country's five leading economic research institutes last week also called for the 1990 tax cut plans to be enacted in 1989. The Government however has shown little sign that the latest dollar decline will jolt it into enacting fresh policy moves.

Bonn may order Tornadoes

BY PETER BRUCE IN BONN

THE WEST GERMAN Luftwaffe is seriously considering placing a large new order for the Tornado fighter, built by Britain, West Germany and Italy, to fill a growing air attack deficiency between now and when the planned Eurofighter becomes operational in 15 years

A recent Defence Ministry memorandum speaks of a need for up to 60 extra Tornados, but worries that under present budgetary restraints in Bonn this number may be reduced to 35. This would still entail placing an order worth DM3bn ($1.8bn) to the Tornado consortium partners – British Aerospace, Messerschmitt-Bölkow-Blohm and Aeritalia.

The memorandum, apparently prepared in advance of a series of government defence spending decisions, actually speaks of a theoretical need for 100 extra Tornados to help replace unservicable Phantom F4 and ageing Alpha-Jet fighter bombers.

The memo, quoted in a respected Bonn defence newsletter, says "in view of the falling numbers in the F-4 air attack role and the unjustifiable cost of modernising the 175 Alpha-Jets, we are faced with the necessity of rebuilding in another way our reduced ability to contain (enemy) follow-on forces and to meet enemy air potential."

It goes on to say that buying US aircraft is out of the question because of the expense and that only the Tornado can efficently fill the gap.

Although it says the procurement of another 35 Tornados would be "sensible" the memo points out that this would still leave one Alpha-Jet wing operational throughout the nineties. "We therefore regard the original planning requirement sum of 60 (new) Tornados as correct,"the Luftwaffe says.

The Bonn Government has to take a clutch of military financing decisions in the next few months, the most pressing of which are whether to go ahead with an expensive joint venture with France to produce an anti-tank helicopter.

Much of the Luftwaffe's worry about its failing F-4 and Alpha Jet stock is grounded upon doubts that the Eurofighter will, in fact, be operational on time.

Romanians pine for openness

By Judy Dempsey, recently in Bucharest

THE SOVIET embassy in Bucharest is receiving letters from Romanian citizens wanting more information about the reforms taking place in the Soviet Union, and expressing a wish that the policies of *glasnost* and *perestroika* will spread to Romania.

The embassy first received letters during the visit to Bucharest last May of Mr Mikhail Gorbachev, the Soviet leader. The letters welcomed the visit

Six months later, the letters still trickle in. While sources in Bucharest would not say how many, nor describe their precise content, they confirmed that "there is an extraordinary interest in what is taking place, not only in the Soviet Union but what impact Mr Gorbachev's policies will have on the other countries in Eastern Europe."

So far, the new Soviet policies have had little noticeable effect in Romania. Mr Viorel Salagean, the general secretary of Scinteia, the Romanian Communist newspaper says that "*glasnost* is nothing new in Romania. For us, it is an old idea. The critical spirit of Scinteia is as strong as ever."

Meanwhile, it remains practically impossible to buy copies of Pravda or Izvestia in Bucharest.

Soares roadshow heads for the plains of Alentejo

Portugal's president has put himself and his 'court' at the disposal of a former Communist stronghold. Diana Smith reports

MARIO SOARES has taken his show on the road again.

For the third time since he became President of the Republic in February 1986, the highly-accessible head of state has uprooted himself, advisers and accoutrements for a fortnight and put the presidency at the disposal of the provinces.

Last year Mr Soares went to Guimaraes, seat of the first kingdom - prompting good-natured jokes that Portugal did not need to restore the Braganza dynasty: it had "King Mario," whose well-publicised journey north seemed to repeat 18th century royal progressions from city to city.

Earlier this year Mr Soares was off again - to Braganza, capital of remote Tras-os-Montes, one of Portugal's poorest, most beautiful areas and the town from which the dynasty took its name. Royal echoes, said Soares-watchers, for a Republican Socialist. (Of course Mr Soares shed his Socialist jacket when he donned the mantle of president - a mantle he wears with unstuffy panache and good humour.)

Now he has headed for a region that for an agitated while was distinctly unroyal – the rolling plains, the olive and cork groves, wheatfields and vineyards of the Alentejo, the closest Portugal gets to a grain belt and the closest it got to Soviet-inspired collectivism, thanks to a Communist land reform in 1975 that riddled the region with land grabs, invasion or destruction of property and intimidation of farmers.

All that is past.

Mr Soares, the pugnacious defier of Communist hegemony in 1975 and for that reason public enemy number one to would-be Sovietizers, can now take his itinerant presidency to Beja, heart of the Alentejo and former seat of militant farm collectivists and be effusively welcomed by its pro-Communist mayor as a president who cares about local needs, the smiling advocate of peaceful co-existence.

Jokes about Mr Soares' status as Portugal's first constitutional monarch apart, the periodic peregrinations have put into practice his belief that it is vital to let the people get through to the President even if the office is non-executive and separate from the Government.

The Soares presidency is discreet with the administration. Mr Soares is on excellent terms with the hard-edged centre-right Prime Minister Mr Anibal Cavaco Silva and sees himself as a tactful vessel through which national ideas may flow.

In the Alentejo his elder statesman's bonhomie will be particularly apposite.

There are still collective farms there, although they are on the decrease as much land is restored to owners or parcelled out to small farmers.

Collectivists still rally round the flag of agrarian reform; but nowadays they talk of modern production more than class struggle, bowing to changed circumstances that have led pro-Communist and Alentejo local authorities to submit numerous projects for EC regional development funds in spite of their opposition to the EC.

The sunny Soares presidency is a soft option to the thrust of a government largely staffed by self-made tough young technocrats.

While the Government tackles the task of turning Portugal into a modern state after too many decades of stumbling out of step with Europe, Mr Soares beams approval on their efforts from behind his carefully-demarcated presidential wall, then wields his personal influence to reawaken his countrymen's love for their neglected cultural assets.

He has revamped the surroundings and style of an office occupied by the military from 1926 to 1986.

He and his wife Maria Barroso, herself an elegant promotion for Portuguese fashion, share a passion for the arts which led them to refurbish the dusty palace of Belem, their official residence. What previous incumbents used as a boxroom has been turned into a handsome Empire dining room, gloomy portraits of a dozen predecessors have been removed from the main salon to a hall where they do not depress guests and replaced with good Portuguese 18th century. When the Soares are not receiving at Belem or other palaces, they haunt musical events, plays, exhibitions or galleries to encourage local talent.

At the end of each day Mr Soares goes home to the old low-rent family flat in Campo Grande to relax with his grandchildren, books and, when he can, to watch videotaped domestic programmes or reruns of Brideshead Revisited.

But not to watch unsubtitled satellite television - the latest fad. Mr Soares does not count the gift of foreign gab apart from French among his skills ... and who needs a satellite when he is out there beaming at the people in person?

European Diary

Portugal

Pollution takes toll in Athens

By Andriana Ierodiaconou in Athens

INDUSTRIES IN the Athens area reduced their fuel consumption by 30 per cent yesterday under a set of emergency measures introduced by the Government to combat expectedly high levels of atmospheric pollution generated by warm, windless weather conditions.

The measures also included restrictions on the circulation of private cars and taxis in a broad zone around the city centre, as well as the switching off of central heating systems in public buildings, including state schools and banks.

The emergency regime, however, failed either to deflect or diminish growing press criticism of the Socialist Government on the pollution issue.

Newspapers dismissed yesterday's measures as a stopgap solution, recalling the ruling Socialists' 1981 and 1985 general election campaign premises to implement a systematic plan to combat atmospheric pollution in Athens.

Photochemical pollution is taking a toll not only on Athenians' health - 278 pollution-related emergency hospital admissions were reported by non-government monitoring agencies on Monday of this week - but also on the city's ancient marble monuments, which are being gradually eroded to chalk.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Spain gives notice to US bases

By David White in Madrid

SPAIN FORMALLY notified the US yesterday that the defence agreement covering US bases would not be extended beyond May 14 next year. However, Mr Felipe Gonzalez, the Socialist Prime Minister, who committed his government to negotiating cuts at the bases in exchange for voters' support for staying in Nato, said he thought a new accord was possible by that date.

The formal note was handed to the US embassy by a senior Foreign Ministry official.

The notification, which Spain had to give six months in advance under the terms of the current agreement, was inevitable after last week's negotiating round failed to bridge the gap between the two sides' positions.

In a communique, the Spanish ministry underlined the "constructive spirit" of its negotiations and said that yesterday's move would not be an obstacle to continued negotiation.

Mr Francisco Fernandez Ordonez, the Foreign Minister, is due to appear before a parliamentary committee next Monday to expalin the Government's position. Yesterday, he underlined Spain's insistance that the US remove its F-16 fighters based at Torrejon near Madrid and its tanker aircraft based at Saragossa. He said these demands were "absolutely reasonable" and had been clear from the outset.

The 1983 agreement was for five years but provided for automatic extension if neither side gave notice. In the absence of a new accord, the US would have up to May 1989 to pull out of Spain, where it has the use of three air bases and a naval base.

● The past week's heavy floods in eastern Spain have caused more than $1bn worth of damage, according to regional authorities.

At least 12 people have died as a direct result of torrential rainfalls in Spain since Tuesday last week. In Valencia, the cost was put at Pta 95bn (£475m), mainly in damage to fruit and vegetable farms, roads and infrastructure, small businesses and housing. The Murcia government yesterday raised its estimate to Pta 32bn, of which more than half was in the agricultural sector.

Reagan softens line on Sandinistas

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR GEORGE SHULTZ, the US Secretary of State, was expected yesterday to underscore the Reagan Administration's more flexible approach towards Nicaragua in a speech to the Organisation of American States.

Mr Shultz's speech comes a day after President Ronald Reagan told foreign ministers of the OAS that the US would now take part in regional peace talks once the Sandinista Government had opened negotiations with the US-backed Contra rebels.

Mr Daniel Ortega, the Nicaraguan President, was due to speak to the OAS today, but there were said to be no plans for him to meet Administration officials.

On Monday Mr Reagan welcomed Mr Ortega's announcement that the Sandinistas were prepared to open indirect negotiations with the Contras through a mediator, Cardinal Obando y Bravo, as "a way to start" the negotiating process.

"When serious negotiations between the Sandinistas and the freedom fighters (Contras), under the mediation of Cardinal Obando, are under way, Secretary Shultz will be ready to meet jointly with foreign ministers of all five Central American nations including the Sandinistas' representative," Mr Reagan said.

He said that the regional negotiations including the US can be "a helpful adjunct" to negotiations among the Central American nations.

Administration officials are saying that the President's offer should not be seen as a proposal for direct negotiations between Washington and Managua.

The president made it clear that Washington remains deeply suspicious of the motives behind recent moves in Managua to implement some of the democratising steps which are called for by the peace plan proposed by President Oscar Arias on Costa Rica. He sees the steps which have been taken so far as minimal. "Thousands of political prisoners still remain in (Nicaraguan) jails and the Sandinistas have said there are thousands who will never be released. That is the voice of totalitarianism," Mr Reagan said.

George Shultz: ready to meet Sandinistas

Poll shows Brazilians have doubts about democracy

Ivo Dawnay on the surprising support for a return to power by the military

TWO-AND-A-HALF years of government by civilian politicians has given democracy a bad name in Brazil, according to a newspaper poll.

When citizens of Sao Paulo - Brazil's most sophisticated electorate - were asked by the Folha newspaper whether the military should return to power, a staggering 38 per cent responded in the affirmative, just nine percentage points behind those opposed.

Rephrasing the question to offer the continuation of the transition to democracy as an alternative to a return of the armed forces, 31 per cent still backed a military regime against 54 per cent opposed.

Only when the option of direct presidential elections next year was added in did the military option drop significiantly to 18 per cent with 62 per cent backing elections and only 15 per cent opting for the longer mandate of five years demanded by President Jose Sarney.

The poll, remarkable alone for the extraordinary bluntness of its questions, makes gloomy reading for the 559 congressmen currently drawing up a new constitution. Above all, it underlines the extraordinary speed with which the electorate has become alienated with political antics in the Utopian capital of Brasilia - far away from the grinding reality of life in the country's squalid population centres.

It has to be added, however, with the size of the opinion sample unstated, that those polled appear to have exhibited considerable schizophrenia about their preferences.

A quick-fire series of additional questions, for example, showed that 81 per cent favoured elections next year, while 32 per cent - suggesting a considerable overlap - backing the return of military government and exactly the same number, 32 per cent, supporting a socialist revolution.

As if to justify this confusion, Brazil's top state governors met again this last weekend to discuss the deteriorating political outlook.

Only one month ago, these powerbrokers gave their firm backing to President Sarney's request for a five-year mandate under a presidential (as opposed to parliamentary) system of government.

Unconfirmed reports now claim that the governors have switched their position in the light of Mr Sarney's disastrous failure to wrest control of his Cabinet from the influence of the all-pervasive majority party, the Brazilian Democratic Movement.

At least one supposedly insider view is that the governors now wish to see presidential elections as soon as they can be held after the constitution-writing process is completed - possibly in April.

Meanwhile, Brazilian life will have to go on as usual. Certainly, it was yesterday. A headline on the front page of an influential Rio de Janeiro daily in an article on the reaction of Mr Ulysses Guimaraes, the ruling party's president, to the interim debt plan approved last week by Finance Minister Luiz Carlos Bresser Pereira told the whole story.

"Ulysses will back Bresser but not the plan," it read.

Top police held over Argentine kidnapping

By Tim Coone in Buenos Aires

TWO SENIOR policemen are among five people arrested in Argentina by detectives investigating a notorious kidnapping in 1985.

Yesterday a former military intelligence officer was detained and two other policemen are under arrest. The case promises considerable political repercussions.

The body of the kidnap victim, businessman Mr Oswaldo Sivak, was discovered at the weekend in a shallow grave on the outskirts of Buenos Aires. According to the confession of one of the police kidnappers, he was murdered shortly after a ransom of $1m was paid by his family.

Excavations at the same site yesterday, were expected to uncover the body of another businessman, Mr Bernardo Neuman, kidnapped in 1982, and for whom a ransom of $2m was paid.

A state prosecutor who is interrogating the arrested policemen; Mr Carlos Oliveri, said: "This is just the tip of the iceberg." It is thought that one of policemen, sub-commissioner Alberto Lorenzatti, has links with shadowy figures from the former military regime.

US row over judge sparks divisions among Republicans

BY OUR US EDITOR

RARELY since President Ronald Reagan took office seven years ago have the divisions between and within ideological factions in the Republican Party and the White House been so evident as in the past seven days.

The withdrawal of the name of Judge Douglas Ginsburg as the President's nominee to the Supreme Court, and now the manoeuvring over whether or not the apparently more moderate Judge Anthony Kennedy should be nominated, have set Republican against Republican.

Less visible is a more subdued conflict over what sort of compromise can be reached with the Democrats on Capitol Hill on the budget deficit, and in particular what role higher taxes should play in any deal.

Just how acrimonious the debate over Judge Ginsburg has become was underscored on Monday when Senator Orrin Hatch, a sanctimonious Republican right-winger who normally supports the President, angrily denounced as "gutless wonders" the White House staff who helped deal the coup de grace to Judge Ginsburg last Friday.

What was not clear is who he meant. For the man who telephoned Judge Ginsburg to tell him to withdraw his nomination was Mr William Bennett, the Secretary of Education, who is himself a keeper of the conservative flame in the Administration and who, according to his spokesman, only acted after a telephone conversation with the President. The Education Secretary's spokesman is sticking to this version of events even though Mr Reagan on Monday vigorously denied having anything to do with the end of the Ginsburg candidacy.

The longer-term significance of these battles within the Republican Party is something party strategists must worry about as the 1988 elections approach. The immediate fallout is to provide a further demonstration of the authority of the man who has helped to hold the Republican Party's factions together for the past eight years: Ronald Reagan.

US set to cut aid to developing nations

THE US is likely to cut its foreign aid to developing countries because of moves to reduce its budget deficit, Agriculture Secretary Mr Richard E. Lyng said yesterday, AP reports from Rome.

He told the UN Food and Agriculture Organisation that US aid would be targeted mostly to nations that pursued "sound economic policies".

He said: "Developing countries need to adjust to a more limited flow of external resources in the future. Aid will likely be channelled to nations that make the greatest effort to establish national economic policies which provide incentives to unleash human energies and responsibly harness national resources.

"The problems and disarray facing the world today in agricultural production and trade are largely the result of government policies that interfere with the economic process. These policies have too often provided incentives for uneconomic production, and have curtailed demand and consumer choice."

He said multilateral trade negotiations under way in Uruguay offered a "historic opportunity to achieve fundamental reforms," including the US proposal to eliminate unfair subsidies and import barriers.

Mr Lyng spoke a day after the re-election of FAO director-general Mr Edouard Saouma of Lebanon, who defeated US-supported challenger Mr Moise Mensah of Benin.

Peru's banker plans for crisis

Barbara Durr reports on fast-dropping foreign reserves which could cause problems for President Garcia

THE FUSE on Peru's economic crisis has grown shorter. In its first report, a new economic analysis unit at the Chamber of Deputies calculates that Peru has only seven months' worth of foreign reserves left in central bank coffers.

While this might be considered a comfortable margin elsewhere, Peru, South America's most financially isolated country, cannot afford to relax. It has been cut off by the International Monetary Fund and World Bank and commercial bankers have not lent to it since 1984. Moreover, the pattern of Peru's foreign trade is negative this year despite commodity price rises.

In the first nine months of 1987, Peru lost $405m in foreign exchange reserves, two-thirds of which went between July and September as the country's economic policy-making was reshaped. The brunt of the upset came at the end of July, when President Alan Garcia unexpectedly announced a nationalisation of the private financial sector. Net reserves now stand at about $450m.

Alan Garcia: nationalised the private financial sector

Peru has not yet been able to generate new export capacity and much of the national production has been absorbed by a vibrant and protected domestic market. The National Planning Institute has called the foreign trade outlook "very worrisome."

From January to August this year, the balance of payments registered a deficit of $86m, compared with a surplus for the same period last year of $347m, the Chamber of Deputies report said. The Planning Institute projects a year-end visible trade deficit of $156m due to lower coffee prices and decreased exports of oil, cotton and minerals, whose prices have risen.

Imports have been steadily outpacing exports as domestic consumption has continued to rise. The Planning Institute blames this on nervous businessmen who have overstocked their warehouses. Other analysts point to the Government's policy of fixed multiple exchange rates.

Industry gets cheap dollars with which to import, but there is little incentive to export. Imports have been coming in at an exchange rate of no more than 29 intis to the dollar, while exports have only been paid at an average range of 31 to 34 intis to the dollar. The black market dollar rate hovers just over 60 intis.

In addition to discouraging exchange rates, Peru's consumer-led growth has made the domestic market so profitable that exporting is less attractive. During the first nine months of this year, the gross domestic product expanded at a rate of 8.5 per cent, according to the Ministry of Economy and Finance.

As the reserves evaporate, financing the fat flow of imports becomes more difficult. Peru's short-term trade credit lines are inadequate to keep up the pace of the economy's growth, officials say, since international banks withdrew some $100m in trade lines after the bank nationalisation.

Mr Cesar Ferrari, general manager of the central bank, says new credit lines have been found from two European banks to replace the losses and that Peru now counts on approximately $400m in international trade lines. Nonetheless, he is anxious to increase these.

Half of the available credit lines are directly handled through the central bank on the basis of collateral deposits abroad. The deposits, however, have reached $562m while Peru has been extended less than half this amount in trade lines. This is a situation that Mr Ferrari intends to change by threatening to withdraw Peru's deposits.

Such coercion is part of Mr Ferrari's uphill battle with international creditors. But he thinks bankers are beginning to perceive Peru more benevolently, and he hopes to reach an agreement with the World Bank by the end of the year.

In spite of receiving a routine IMF mission in September, however, Peru does not intend to open negotiations with the Fund.

Mr Ferrari says Peru is willing to fulfill the World Bank's prime condition for an accord by paying its full arrears, now over $130m, but in return Peru must receive more money than it pays out.

Much will depend on how Peru redesigns its projects. Many analysts doubt that Peru can put together a saleable package for the World Bank.

The man who's made to measure

What "we're developing into," says managing director Keith Hodgkinson, "is information technology." He tells Robert Heller how "fairly spectacular" new product introductions – two a month – keep W & T Avery at "the forefront of its field."

BETWEEN the "smart card" (one of the latest electronic wonders) and a set of scales lies a world of difference – to be precise, 257 years. W & T Avery has been making scales since 1730: but the company, its weighing machines no less than its smart cards, is now in the thick of the electronic revolution.

Information technology, says managing director Keith Hodgkinson, "is what we're developing into."

"If the core fails, everything fails."

Avery is competing in the vanguard of modern technology from a Smethwick site that is one of the oldest in British industry; Messrs Boulton and Watt started business there in 1790, by which time W & T Avery was already sixty years old.

That antique site, though, is currently being re-organised at a cost of £5.5 million over 18 months. During the last five years, more than £30 million has been invested in Avery to sustain a comprehensive programme of *"reducing costs, strategic* planning and new products to meet market requirements" and the new product introductions, says Hodgkinson, "are fairly spectacular; 25 a year" (or two a month).

"A company with such traditions," he marvels, "today it's still in the forefront of its field." He started as an accountant, but was selected in 1972 for wider management development – including membership of the first of GEC's senior management programmes (still going strong).

By 1977 he was responsible for the electricity meter division of GEC Measurements, which was being "taken out" as a separate operation.

Keith Hodgkinson – Managing Director of GEC Avery. *Photo: Terry O'Neill*

HODGKINSON observes that "it was being stifled by being a small part of a much bigger business." Given its own, young management and its own facilities, GEC Meters grew "very rapidly" in face of heavy competition – sales more than doubled to £11 million by the time he left in 1979.

Hodgkinson duly became managing director of his former parent company, GEC Measurements, in 1979. Two years later he moved to Avery, where his former boss, Douglas Gadd (now managing director of GEC Power Distribution Group), was in charge.

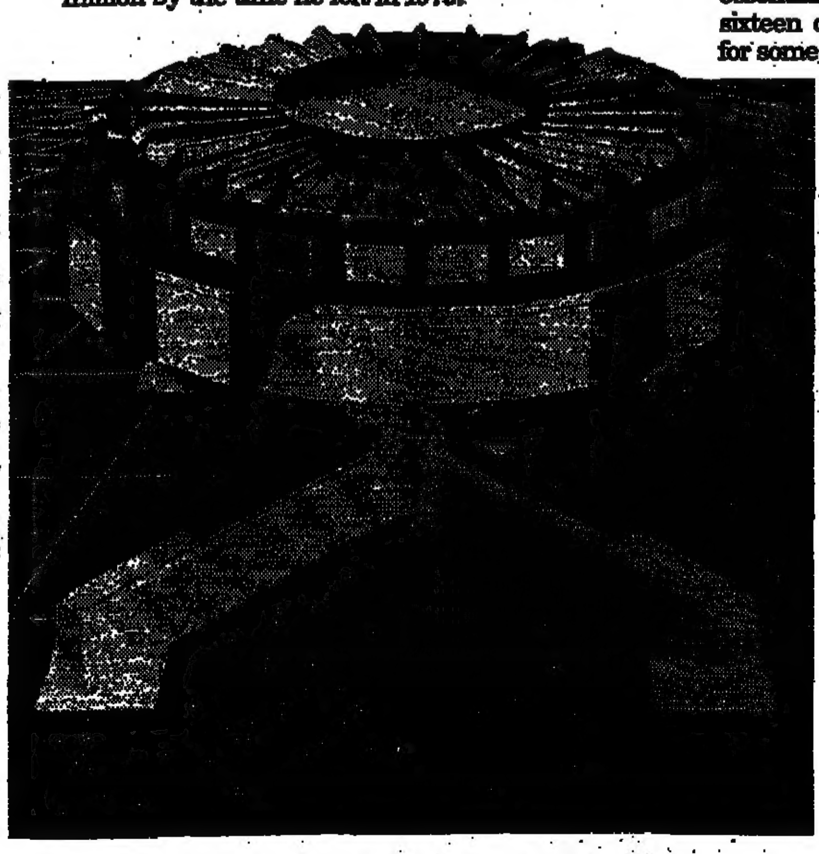
Key management changes and detailed plans had already been made, and Hodgkinson, with their benefit, "was really able to get on with it" at Avery.

Aided by a "very bright and capable" technical director (Tony Kirkman) and new finance director (Jeremy Lancaster).

Hodgkinson set to work with "a very committed team of people who have made a fantastic contribution to the business." Their task was "to get its products and its market focus right." Success was essential, not only for the British market, but for sixteen overseas companies (sales abroad account for some two-fifths of the Avery business). "If the core fails, everything fails," says Hodgkinson starkly. The task was complicated by Avery's unique spread – "it competes over the whole range" (every retail application, all industrial uses, fine balances).

But after expending "a lot of effort to get each segment into good shape," Hodgkinson has found no reason to leave any sector. Rather, the company has been broken down into three self-managed business units (retail, industrial and service).

EACH is a fully equipped operating company that will have entirely separate facilities on the redeveloped Smethwick site. It's the basic GEC philosophy of divide and conquer applied down the line to provide "a highly focussed activity in each of the market sectors," usually against severe and intense competition.



A new and revolutionary computer-linked weigher. It is used extensively in the packaging of high volume food products such as crisps and sweets. Speeds of up to 100 weighings per minute can be obtained.

In the basic weighing machine business, the battle has been toughest. The pressures on prices from both competition and technology has been extreme: in 1981 a retail price-*computing scale cost up to* £1,500: today's "very much better equivalent" costs "£600; £900 off what was the largest selling item in the plant."

"The strategic investments are paying off."

Against this background, the "new opportunities we can exploit" assume even greater significance – including the "smart card."

This revolutionary product, which had its origins in GEC's central research, comprises a microprocessor and memory within a credit card, and will shortly be under operating trial with the Midland Bank at Loughborough University.

Hodgkinson says the card has "huge opportunity" (perhaps a billion or 1.5 billion dollar market by the mid-1990's) in "many, many applications" – by no means all in retailing and banking.

"Sales abroad account for some two-fifths of the Avery business."

Avery's strong links with both, however, encouraged Hodgkinson to say "we'd like to take the card on." A million of Avery's money has since gone into the smart card, even though the business – "possibly worth £50 million in the next four to five years" – could very well end up as a separate company. "That decision," adds Hodgkinson "is one for the future, we will take it when the time comes."

THE project, however, evidently chimes with Avery's own rapid progress in information technology, "relating to all kinds of measurement," says Hodgkinson, "not just weighing."

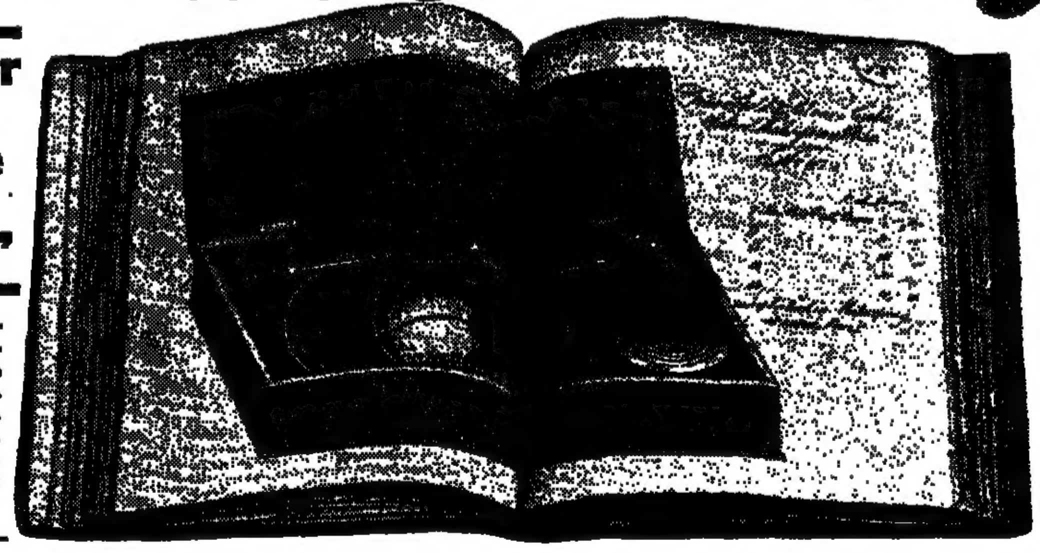
The future stretches far beyond weighing machines: Avery has moved into retail and industrial systems, inter-connections with computers and other business machines, advanced electronic-point-of-sale (EPOS) equipment for an expected £400 million world market, and so on.

That's all much easier said than it was done. For example, the strategic planning (implemented by Tony Kirkman) that revitalised the company identified a £100 million British market for retail systems by 1990.

Avery is intent and on target to capture that new business opportunity.

That objective prompted three major develop*ments: of its own range of microcomputer systems* and software packages; of an EPOS terminal for the specific needs of smaller multiples and independent stores: of a range of "intelligent" scales which will link up with each other in a so-called "local area network."

"Even better utilisation of our state of the art technology."



W & T Avery have manufactured weighing equipment since 1730. The pages shown here however, come from a catalogue dated 1830. A salesman has added the prices, to the right, in his very best script.

ADVANCED technology has been the key to transforming both product and process. Manufacture is now an integrated, automated process, using electronics for design, control, production and testing, all overseen by computer.

The spate of new products incorporates electronics for purposes as far apart as weighing 200 packets of products a minute to an accuracy of better than half a gram (the Computer Weigher from the Driver Southall subsidiary) to printing bar code labels for checkout scanning (one of the many tricks that the Enterprise scales for larger stores can perform).

The business planning process, which combines people from every discipline to get the best and quickest results, identified to management the need to invest in "key core technologies."

Avery set out to achieve self-sufficiency in load cells, the devices which convert weight into an electrical signal, and which it hardly made at all. The current output of 60,000 load cells a year, one of the largest in Europe, has had a vital impact on the business economics.

A similarly important breakthrough came in printers, which Avery used to import, "but we're now selling to competitors."

Avery's strategic planning process also identified the need to grow by acquisition and joint venture. GEC's 30% stake (with an option to buy control) in the Dutch weighing group, Berkel, which has extensive distribution channels in Europe, is an example of "how we intend to grow even faster."

Together, Avery and Berkel now have around 20% of the world market and this will lead to "substantial manufacturing economies of scale and even better utilisation of our state of the art technology."

NOW 43, Hodgkinson moved up to managing director of the whole GEC Avery business (which has a £115 million turnover, with exports trebled since 1982). in 1984. Looking back, he says, that "we realised early on that we had a good company. There was so much that could be improved upon."

The smart card contains a microprocessor and memory, and communicates with readers and microcomputers without surface contact. It provides, among many advantages, a faster and more secure way of paying for goods and services.

THE key investments, he says, simply belie criticisms that GEC takes a short-term view – "a lot has been long-term." including heavy spending on electronics facilities that initially had "a very light load."

He notes that "we don't have any fuss getting *plans approved" at headquarters* in Stanhope Gate. The fate and future of the business are "very much in our hands."

"We are out to make sound strategic investments to ensure continued growth and to increase profits." And Hodgkinson adds proudly that "the strategic investments are paying off."

Robert Heller is Editor-in-Chief of Finance Magazine.

OVERSEAS NEWS

Robert Thompson looks at China's new leaders and the prospects for greater political openness

Zhao dynasty rises from the mists of Chinese politics

WHEN Zhao Ziyang, the new Communist Party General Secretary, beer glass in hand and smile on face, casually despatched questions last week from foreign correspondents in the Great Hall of the People, he heralded what should be a new era of reform and openness in China.

The Zhao period has begun, but the murkiness of Chinese politics lingers. Little is known about the men who lead the party and the country - updated official biographies revealed likes for golf and early rising and not much more. Moreover, the role of the retired Long March generation remains unclear.

Distinction must be made between reformers and reform. To presume that the influx of reformers into the Politburo will lead to a sudden surge in economic reform and a Peking Spring for Chinese writers is premature.

Evidence of the difficulties ahead lies in the work report delivered by Zhao on the opening day of the 13th Party Congress. Now an official document to be studied and acted upon by party members around the country, it outlined broad proposals for political reform, yet hardly pushed at the boundaries of economic reform.

Zhao, who will relinquish his title of premier in coming months, is under intense pressure to right a troubled economy, though last week he could afford to joke about rising inflation and increasing popular expectation: "The Chinese people wish to have a Premier who can raise their salaries without raising prices. This is impossible in my lifetime. I hope my successors do a better job."

His successor is expected to be Li Peng, now the party's second in charge, who is aware that foreign analysts will be watching for signs of the avid central

Li Peng: likely new premier

planner that he claims not to be. Mr Li was educated in the Soviet Union and feels that this experience has led to him unfairly being regarded as a conservative, or at least as a reformer with serious reservations.

The performance of restructured party bodies such as the secretariat, which has been cut from 11 members to four and had several conservative voices silenced, will be a most interesting feature of Chinese politics to watch. The secretariat, responsible for the day-to-day decisions, gave access to the party's upper reaches to politicians without a firm basis of support.

Deng Liqun, a conservative instrumental in attempting to widen a campaign against Western influence this year, has been removed and lost his seat on the Central Committee - it seems that, in a rare show of democracy, Mr Deng was one of 10 candidates voted off the 175-member body as punishment for his campaigning excesses.

The leaner secretariat, which keeps the same head, Hu Qili, who was elevated to the elite Politburo standing committee, should now perform its function as an appendage of the Politburo rather than as a rival source of power.

A dramatic cut in the size of the central discipline inspection committee from 129 to 69 members and a warning from Zhao that it must keep to internal party matters will severely restrict a body whose former leaders considered that it had the right to probe when and where it liked, and to produce reports implicitly condemning the reform programme.

However, the onus is on the new Politburo to prove that reform has not induced a lack of discipline. It is understood that the leadership already has a hit list of writers and academics who could be attacked when necessary for their bourgeois ideas, although Zhao Ziyang, a tolerant man, has previously worked to limit such campaigns in the interests of safeguarding academic confidence.

Interestingly, the party has become acutely aware of both its image and popular concerns this year. With conservatives removed from senior positions, a serious problem could be the reformers' reluctance to introduce unpopular policies despite their long term value.

Even the restructuring of the party itself could cause serious problems, as the middle ranks are unlikely to appreciate the loss of power that goes with giving state bodies more autonomy in the interests of efficiency. Further disapproval is likely if promises are kept to expel large numbers of unqualified party members.

And, of course, there are the old men who have seemingly released their hold on power, as one diplomat put it, "without a coffin or a coup." Zhao Ziyang has explained that Deng Xiaoping will continue to have an informal but powerful role, and it remains to be seen how many of his confreres will also take an informal interest in party affairs.

Economy leaves reformers little time for celebration

Inflation threatens support for change, reports **Robin Pauley**

GETTING TO the top of China's enormous political tree is hard enough. Staying there is no easier. The younger reformers within the hierarchy of the Communist Party scored a triumph at the 13th Party Congress this month, taking the majority of the 17 Politburo seats with Zhao Ziyang at their head.

But they really have no time to celebrate. A crisis beckons and if they make too many errors in dealing with it there are still enough conservatives around eager to reoccupy the seats of power.

The problem is that the economy of a quarter of the world's population is in a mess. This is a regular occurrence. The difference now is that the reformist leaders face the formidable task of proving to 1bn people that a more market-oriented economy can deliver rising living standards without runaway inflation.

Economic reform has been bumping along in China for nearly a decade at varying speeds and with varying degrees of success. The Soviet-style system of five-year economic plans under central control has gone, with the most profound impact in the countryside. The commune and the compulsory grain quotas have been abandoned and replaced by a system allowing farmers to sell some of their produce for cash on open street markets and to diversify out of agriculture into small rural industries.

In the cities reforms have been harder. Urban industry is supposed to be less under party control and more under the management of directors and managers responsible for their own budgets and for making a profit.

After several false starts this system is starting to take hold, although the party still appears to have a large degree of control inside factories. There is also plenty of evidence of industries churning out low-quality goods which are simply stockpiled. Dubious accounting methods then record this rising unsold output as rising profit.

Government subsidies and the lack of meaningful bankruptcy provisions are at the root of the problem. This is one area the reformist leaders have pledged to improve.

Attempts to introduce market pricing has produced sporadic demonstrations in the cities during the past year, forcing a more cautious deregulation of prices for foodstuffs and commodities such as cooking gas. However, these obstacles have diverted or temporarily interrupted economic reform, not stopped it. The main problem is that inflation is currently rising dangerously on the back of rapidly expanding liquidity for the second time in three years.

At the end of 1984 and in early 1985 inflation rose towards 20 per cent. This was stopped by a clampdown on credit, slowing down price reforms and reducing growth - but not before industry had raised wages and invested in new buildings without any noticeable improvement in productivity.

As in many low-wage economies, workers spend their rises and bonuses as soon as they get them. The result is ballooning demand and inadequate supply, forcing up prices. In the first nine months of this year output, wages and investment rose at about the same booming rate as 1985 and the money supply grew out of control at an annualised rate of about 60 per cent. Double digit inflation is back, although the official retail price index, which traditionally understates the true position, is still at 9 per cent.

This second inflationary spiral puts a question mark over the People's Bank of China, the central bank. The bank has now acted to cut annual loan quotas and freeze rural credits, but the bank hardly looks to be in control. Madame Chen Muhua, its governor and the most powerful woman politician in China, lost her place as an alternate Politburo member last week, which may be sign of dissatisfaction and an indication that her days as central bank governor are numbered.

Zhao told the Congress the economic target was to double the gross national product of 1980, now largely achieved, and double it again by the year 2000. "Reform and open policy have also further emancipated the minds of the people," he said in his lengthy report.

There's the rub. The policy has made people freer to make more money, but also freer to complain when inflation erodes rather than enhances their still meagre life-style. The reformers now firmly in the driving seat may face some hair-raising moments as they try to keep both the economy and the people on track.

Sri Lankan MPs under guard for autonomy vote

BY MERVYN DE SILVA IN COLOMBO

GOVERNMENT MPs were driven to Sri Lanka's Parliament House yesterday morning in an armed convoy of cars from a hostel and two hotels where they had been staying to discuss two bills offering Tamils a measure of regional autonomy, as envisaged in the July Jayawardene-Gandhi peace accord.

The moderate Tamil United Liberation Front has already protested to Mr Rajiv Gandhi, the Indian Prime Minister, that the devolution falls far short of their expectations, while Mr Gandhi told the Indian parliament yesterday that it was less than what he had been promised. The TULF "Tigers" have rejected the offer outright and vow to carry on their struggle for *eelam*, a separate state.

The Government needs a minimum of 113 votes. The outcome of the three-day debate, probably the most historic in the island's 40-year parliamentary history, is predictable, although the Government needs a two-thirds majority to pass the Provincial Councils Bill and the Thirteenth Amendment to the 1978 Constitution.

Of the 168 seats, 16 have been empty since August 1983. The members of the Tulf, the main Tamil party, forfeited their seats and went into exile in Madras, south India, when they refused to take an oath disavowing separatism.

The opposition has only 11 seats. Nine are held by the Freedom Party led by Mrs Bandaranaike, a former Prime Minister.

On the *four-mile* journey to the Japanese-built parliament building, the scene of an ingeniously planned grenade attack in mid-August, the convoy was escorted by military jeeps and trucks with heavily armed soldiers. The building itself was ringed by commandos of the Special Task Force, an elite unit trained by former SAS personnel.

After last evening's bomb blast which claimed 32 lives, with over 100 injured, parliament met amid mounting tension, partly caused by doubts about who had carried out the outrage. While a government spokesman accused the ultra-nationalist JVP, a proscribed Sinhalese party, police seem to think that the "Tigers", badly bruised in the north by 20,000 Indian troops, may have decided to signal to both the Sri Lankan and Indian governments that their terrorist arm still has a long reach. In April a similar bomb blast at a bus station killed 120 and injured 240.

Pro-JVP groups stopped buses entering the city, pulled out schoolchildren from classes, staged strikes on campuses and caused a minor train derailment south of Colombo.

Despite JVP death threats, MPs of the ruling party attended the morning sittings in full force. The votes counted in the heavily guarded house will hardly reflect the vast political divide among the majority Sinhalese outside the chamber, a chasm ironically caused by an accord aimed at preventing the division of the country.

Three die as police fire on Dhaka mob

BY OUR FOREIGN STAFF

THREE PEOPLE were known to have been killed and scores injured when police opened fire on violent mobs yesterday in Dhaka, Bangladesh's capital.

Fifteen policemen were also injured and more than 300 demonstrators were arrested.

The violence came during the so-called "Dhaka siege", a day of general strikes and mass protests called by opposition leaders demanding the resignation of President Hussain Mohammad Ershad.

The protests, organised by the eight-party Opposition Alliance, were timed to coincide with the first anniversary of Mr Ershad's rule as a civilian president.

The former army general took power in a bloodless coup in 1982, but last year he retired from the army, won an election and lifted martial law.

Demonstrators and police clashed at an intersection midway between the Baitul Makaram, Dhaka's biggest mosque, and the Government Secretariat, where Mr Ershad's Cabinet Ministers have offices.

About 4,000 marchers converged on the square and staged a sit-in in front of about 100 helmeted policemen armed with rifles, tear gas and cane batons, while about 400 other policemen waited on foot and in trucks within a one-block radius. The protesters chanted: "We have one point, one demand - Ershad must go."

At first, police did not intervene. Then they asked the demonstrators to leave. Rocks were thrown from the crowd and police fired canisters of tear gas.

During the next hour, rifle shots were heard, sometimes singly, sometimes in bursts of five or six. Demonstrators retreated down two streets leading into the intersection but did not disperse.

The two main opposition leaders, Mrs Khaleda Zia, leader of the Bangladesh Nationalist Party, and Mrs Sheikh Hasina Wazed, head of the Awami League, described the protests as a "complete success", and said their movement against the "autocratic and illegal government" would continue until President Ershad resigned.

Baccouche: homage to Bourguiba

Tunisia PM affirms role for parties

By Francis Ghiles in Tunis

MR HEDI BACCOUCHE, Tunisia's Prime Minister, yesterday strongly reaffirmed the commitment of the country's leaders to a plurality of parties.

In his first press conference since becoming Prime Minister last Saturday, Mr Baccouche paid homage to all Mr Habib Bourguiba, the former President, had done to help free his country from the yoke of colonialism and build a modern society. "He remains a reference for us all and by what we have done we hope to have saved his image as a great fighter."

Mr Baccouche ruled out the possibility of organising new elections quickly and insisted that framing a new law on political parties, which would allow most opposition parties to take part in the political life of the country, was the most urgent task. He also said that he hoped to associate opposition parties with the running of state affairs in the near future.

The Prime Minister also insisted that there was no intention of organising political trials of those ministers arrested last weekend.

He called on Tunisian journalists to speak up. In the past they had been able to do so where sport was concerned, but not on political matters. "It was now their duty to bring problems to the attention of the leaders."

● In yesterday's report from Tunis, Mr Baccouche, the Prime Minister, was once referred to as Mr Hammam Sousse, which is, in fact, his home town. We apologise for this which was caused by a production error.

Philippines to review future of US base

PHILIPPINES senators decided yesterday to appoint a special committee to study the need for a continued American military presence in the country, Reuter reports from Manila.

The senate decision was taken only hours after communist guerrillas pledged to widen the war against US military and business interests on the southern island of Mindanao.

The US, former colonial ruler, maintains its two biggest overseas military bases in the Philippines and is the country's largest military and civil aid donor.

Yesterday's senate resolution said the special committee would review all military and security agreements with the US, including the 40-year-old bases pact which is up for review next year prior to its expiry in 1991.

Fiji racial tensions 'exaggerated for coup'

FINANCIAL TIMES REPORTER

RACIAL TENSIONS in Fiji were exaggerated for political ends by leaders of the recent coup, according to a report by the Minority Rights Group published today.

The report challenges what it calls a common assumption that Col Sitiveni Rabuka's seizure of power in May was supported by most indigenous Melanesians as a way of curbing the power of Fijians of Indian descent.

In reality, its authors say, the deposed coalition government of the multiracial Fijian Labour Party and Indian-led National Federation Party had been supported by many poorer Melanesians.

The two-year-old Labour Party, led by Dr Timoci Bavadra, a Melanesian, was viewed by the traditional aristocracy of chiefs as a threat to their entrenched power. This was despite a decision by Dr Bavadra's government to leave sensitive cabinet posts in Melanesian hands.

Even though Indians slightly outnumber other Fijians, Indian domination of the economy is more apparent than real, according to experts quoted by Minority Rights.

The group argues that there is still time for the peaceful restoration of democracy. But constitutional reform is needed: the political system, based on the winner-takes-all model of Westminster, excites fears of racial domination and is ill-adapted to the kind of power-sharing that Fiji requires.

Fiji, by Prof. Hugh Tinker, Naresha Duraiswamy, Prof. Yash Ghai and Martin Ennals; Minority Rights Group, 29 Craven St., London WC2; £1.80, US$3.95.

Bomb blasts in Singapore business area

TWO SMALL devices exploded in the business district of Singapore early yesterday, causing slight damage but no casualties, Roger Matthews reports from Singapore. The first explosion smashed windows in the American International Assurance building and the second went off by the Shell Tower, which houses several banks.

No organisation has admitted responsibility and there are no current issues on the island thought likely to attract terrorist interest. However, there has been a sharp increase in racial tension in neighbouring Malaysia followed by the arrest of over 90 people, including Chinese opposition Members of Parliament and Moslem radicals.

Business confidence in Singapore has been dented by a fall of more than 40 per cent in the value of the stock exchange which was in part triggered by events in Malaysia. Terrorist violence, almost unknown here for the past 20 years could be aimed at creating a further element of uncertainty.

East-West trade outlook 'gloomy'

By Leslie Colitt in Berlin

THE FUTURE of East-West trade has seldom looked less promising, according to an analysis of current trends by the West German Institute of Economic Research.

The institute said exports by OECD members to the seven European Comecon nations fell 9 per cent in the first half of this year while imports dropped 8.5 per cent. Although rising oil prices should have benefited the Soviet Union and its oil exporting partners, this was cancelled out by the fall in the value of the dollar.

The dollar's decline also resulted in the level of East-West trade last year being greatly overstated, the institute said. In dollar terms, OECD exports to Comecon rose 6.5 per cent to $45bn while imports fell 5 per cent to $41.5bn. But expressed in transferable roubles, Comecon's bookkeeping currency, OECD exports to Comecon dropped 10 per cent while imports plummeted 20 per cent.

The share of East-West trade in world trade thus sank to 3.6 per cent, its lowest level since 1970 when it stood at 4.5 per cent. The high point, 5.5 per cent, was reached in 1975.

The West Berlin institute pointed out that about 70 per cent of the 17.9 per cent rise in Comecon's $83.5bn net debt to the West last year resulted from the falling dollar. The total debt expressed in dollars rose as more than half of Comecon's debts are in other Western currencies.

Comecon's exports to the West would continue to be hampered, the institute said, by uncompetitive goods, the unsolved debt problem and a slowing down of growth in the West. It noted that East European foreign trade reforms which came to decentralise decision-making in import and exports would not achieve success quickly. Nor would joint ventures with Western countries.

The author of the analysis, Mr Heinrich Machowski, said even the expected bilateral trade agreements between the European Community and individual Comecon members would only act as a spur to trade if quotas were reduced for imports from Eastern Europe. He was sceptical this would happen.

Co-operation in environmental protection was one area, the report said, where a promising East-West partnership could develop. It suggested that Western Europe should offer Comecon members credits for environmental technology which would open new industrial markets for the West.

On the other hand, Mr Machowski warned that the current Western CoCom export controls on 'dual use' technology for sale to Comecon would only serve to widen the technology gap between Western and Eastern Europe and further reduce the trade between them.

Canadians are divided over one key provision of the free trade deal with Washington, reports **David Owen**

Dispute settlement panel causes upset in Ottawa

ONE OF THE great quandaries facing negotiators of the US-Canadian free-trade deal initialled last month was the need to find an arrangement for settling disputes that could be sold politically as meaningful in Canada and meaningless in the US.

Canadian businessmen strongly supported a free trade deal because it was seen as a way of safeguarding access to the vast and lucrative US market. For that, they believed Canada should be prepared to make concessions on trade.

Now, however, some are worried that the Government of Premier Brian Mulroney has been hoodwinked into accepting a deal that offers little security in practice, simply because the Reagan Administration would be unable to sell to Congress any agreement that gave Canada real exemption from existing laws on dumping and countervailing duties.

At the heart of the controversy is the five-member binational panel which the agreement says should be set up to review trade disputes. For fear of offending the US Congress, it will have to confine itself to considering whether trade actions taken by either side are in accordance with existing law. The matter of actually amending laws will be considered over a five to seven year period in a separate bilateral process.

At either side's request this panel would review an anti-dumping or countervailing duty order to determine if it was against the law of the country that imposed it. If the panel decided that it was, the country concerned would be required to change it within a given period.

Two members of the panel would be appointed by each party from an agreed list of names, with the fifth selected by the agreement of both. In the event of serious disagreement, the fifth member would be chosen by the other four panellists.

Only in the medium term is the aim to develop a substitute system of laws for anti-dumping and countervailing duties in both countries. If no system were agreed and implemented at the end of five years, the interim arrangement, whereby the panel would make decisions based on existing trade law, would be extended for a further two years.

Any intervening change to trade law could, however, be subject to scrutiny by the panel. If, for example, a change in US trade law were passed, Canadian authorities could ask the panel to rule whether it was consistent with the objects and purpose of the free trade agreement or with prior decisions of the panel. The panel would be able to recommend changes to the proposed legislation.

Defenders of the agreement argue that the proposed panel thus provides some protection for Canada from the omnibus trade bill currently wending its way through the US Congress. If any part of the bill came into effect after January 1 1989, any multinational measure not specifically mentioning Canada could not be applied to Canada under the free trade agreement.

This would eliminate the need for Canadian delegations to plead exemption from laws aimed at other countries, which inadvertently affected Canada.

In the view of one senior Canadian government official the powers of the panel, as outlined, would put "some extremely formidable hurdles in the way of harassing actions. Countervailers won't start unless they are pretty damn sure they are going to win their case...We are not going to get politically-motivated decisions any more."

Members of the opposition Liberal and New Democratic parties, however, feel that to restrict the panel's interim mandate to an assessment of existing trade laws, without authority to judge whether or not the laws themselves are unfair, is extremely unsatisfactory.

"This deal ended up with no agreement on subsidies and therefore no change really in the countervail situation that Canadian companies will face," maintains Mr Steven Langdon, trade and industry spokesman of the NDP. "It is US law on countervail and subsidy definition which is being applied, regardless of the tribunal."

For the Liberals, Mr Brian Tobin goes so far as to describe the trade tribunal as "nothing but a shell, a farce. Its only function is to determine that US law, once written, has been properly applied...The US has the same ability to impose trade sanctions on Canada after the deal as they had before the deal."

Even some supporters of the pact, like Mr Donald Macdonald, chairman of the Royal Commission on the Economic Development Prospects for Canada and a former Trudeau finance minister, express disappointment at what has so far been achieved.

"The case that I was advocating with regard to the fair trade remedies was that there should be codes of conduct negotiated - particularly on subsidies and countervailing duties," he explains. "The tribunal would have the obligation of applying the code and the Gatt rules. Something like that would presumably be the goal over five years, but we have started the thing rolling without having that one nailed down."

Views on the interim effectiveness of the panel are inevitably coloured by opinions of trade legislation in the two countries, although US-based lawyers suggest that it would be rash to make any final judgement on the panel's powers before the final legal text of the deal is ready.

Those who share the view of the government official that "US trade law is not in itself all that pernicious," feel that better protection from politically-oriented decisions is a big step forward.

Those who, by contrast, believe that US or Canadian procedures are unacceptable in the first place find the panel of decidedly cold comfort - in spite of the protestations of many supporters of the trade deal who argue that it was unreasonable to hope for a forum to judge the fairness of US laws.

A FURTHER high-level meeting between officials from Canada and the US may be necessary to iron out difficulties in formulating precisely the preliminary trade deal reached between the countries, David Owen writes.

Teams of lawyers from the two sides have been at work to turn the 35-page preliminary transcript into a detailed legal document.

Canadian officials are now saying they hope a final legal text will be available by the end of this month. It was expected initially that such a document could be ready by the end of October.

A spokesman for the Prime Minister's office played down the implications of the delay: "As of today, we have not been apprised of any substantive differences in the drafting, of a nature that would require a high-level political meeting." US trade officials confirmed: "There are no plans as of today to have a high-level meeting."

Congress considers freeing exports

By Nancy Dunne in Washington

MEMBERS of the Congressional conference meeting on the US Trade Bill yesterday began fashioning provisions designed to ease US export controls amid reports of another important export of militarily sensitive technology to the Soviet Union.

The sale, originally made public a year ago, involved equipment which the Pentagon said could increase the accuracy of nuclear warheads.

The equipment - nine specialised furnaces and presses which can produce an advanced material called carbon carbon - was sent to the Soviet Union between 1982 and 1985 by Consarc Engineering in Scotland, a subsidiary of Consarc Corporation of Rancocas in New Jersey.

A year ago the Pentagon made the sale public but credited the Reagan Administration and Mrs Margaret Thatcher, the UK Prime Minister, with preventing the sale to the Soviets.

Now, Pentagon officials say that most of the equipment had already been transferred to the USSR and that Western technicians later oversaw its assembly. Last night, the company, however, denied intentionally leaking the technology to the Soviet Union.

The Pentagon, which is now bemoaning the sale, opposes an easing of export controls.

Both the Senate and the House are largely in agreement that US export controls have unfairly penalised the US business community.

Both the House and Senate bills would significantly reduce the licensing burden on shipments to allied and other friendly countries which maintain their own controls.

Under both bills, export controls may not be imposed on products simply because they contain controlled components.

UK raises exports to S Korea by 33%

BY MAGGIE FORD IN SEOUL

BRITISH exports to South Korea have jumped 33 per cent in the past nine months to almost $524m, showing that Britain has given a better performance than many countries struggling to penetrate the newly opening market.

The highest increases were recorded in steel, textiles and leather, reflecting South Korea's increasing need for raw materials because of its own export boom. However, significant rises were also reported in the high-tech sectors.

UK exports of precision instruments rose to $35m compared with $20m in the corresponding period last year. Machinery and electrical equipment sales of $143m, representing a 27 per cent rise, included $24m worth of semiconductor exports.

Defence sales of $18m, up from only $834,000 in the first nine months of 1986, reflected increased efforts by European contractors to sell into a market previously dominated by the US. British companies have won two contracts, for a ship command system and an air defence system.

Because of a change in the methods used to calculate the foreign trade statistics, UK diplomats believe that British exports may have actually improved by about 52 per cent in the first six months of 1987. According to the South Korean figures, Seoul exported $1.1bn worth of goods to the UK during the period, a 43 per cent increase over last year.

South Korea last year started a drive to diversify its imports to stave off protectionist threats from the US and the European Community and to reduce its dependence on Japan.

● Direct trade between China and South Korea could start if North Korea gave its blessing to the move, Beijing officials were reported as saying yesterday. Seoul has been pushing for recognition of trading relations, now thought to be worth at least $2bn annually.

The two nations have no diplomatic relations because of China's recognition of Communist North Korea, but unofficial economic links are strong. Trade between South Korea and Hong Kong amounted to more than $1.8bn in the first nine months of this year, a large portion of which is thought to involve China.

Lufthansa to help develop Peking centre

BY LYNTON McLAIN

LUFTHANSA German Airlines has formed a joint company with Peking City Council, the Beijing Lufthansa Centre company, to develop a DM420m hotel and business centre in Peking.

The company was registered recently at a ceremony in the Great Hall of the People attended by Mr Han Boping, the mayor of Peking and Mr Heinz Ruhnau, chairman of the Lufthansa executive board. The initial agreement on the joint venture was signed in December last year.

The airline said the centre would be a base for entrepreneurs seeking to establish business ties with China, as well as providing facilities for tourism. It will be built on a site provided by Peking City Council, 15 minutes by car from the city centre and half-an-hour from the airport.

Construction work on the centre starts in April and it is expected to open in 1990-91. The centre will have 150,000 square metres of floor space; a hotel with 600 beds; apartments; offices with interpreters; telecommunication equipment; a Lufthansa airline office and a travel agency. There will also be a medical clinic, a kindergarten and a large shopping centre.

The Peking Municipal Commercial Service and the Network Development Corporation, from China, and Lufthansa are participating in the project on a 50/50 basis. Lufthansa, Philipp Holtzmann and Bilfinger & Berger Bauaktiengesellschaft each have a 27 per cent share in the project; Kempinski Hotel has a 19 per cent share.

The shareholders have invested DM105m, half of which is accounted for by West German capital investment and half by the value of the land for the centre, provided by the City of Peking.

The Chinese Government has also approved a civil aircraft maintenance project developed jointly by Lufthansa and the Civil Aviation Administration of China (CAAC). The agreement was announced by Counsellor of State Zhang Jing Fu, in the presence of Mr Franz Josef Strauss, premier of the state of Bavaria and a member of the Lufthansa supervisory board, and Mr Heinz Ruhnau, chairman of the executive board.

Britain eyes defence market in Indonesia

BY JOHN MURRAY BROWN IN JAKARTA

UK COMPANIES are stepping up efforts to sell defence equipment to Indonesia, one of the developing world's most attractive markets.

Mr Ralph Robins, executive director of Rolls-Royce, last week signed a technical co-operation agreement with Indonesia's state-run aerospace company, PT Nusantara (IPTN), to consider possible joint venture manufacturing and servicing of various engine parts.

General Electric and Pratt and Whitney, both of the US, have already agreed terms, whereby they and IPTN jointly produce selective parts. Boeing, the US aircraft manufacturer, is making a similar offer.

The move by Rolls-Royce is seen as a late attempt to make itself available for the more lucrative sales contracts.

Thorn EMI also aims to sell its Skymaster radar system, and Vickers is offering a new FMC Mark 5 light tank. Rolls-Royce and its partner British Aerospace hope this latest agreement will provide a springboard to sell its Hawk 208, a subsonic fighter to complement the supersonic F-16, which Indonesia last year agreed to purchase from General Dynamics of the US. That deal, worth $337m, carried offset terms under which IPTN will produce parts for the US aircraft manufacturer.

The agreement by Rolls-Royce is seen as the first step by Britain's aerospace industry to join General Dynamics, Aerospatiale of France, Boeing, Messerschmidt and CASA of Spain in joint ventures with the Indonesian manufacturers.

According to news reports, IPTN is also looking at the UK Skymaster radar defence system which is significantly cheaper than the US Awacs.

ADB call for open strategy

DEVELOPING Asian countries should encourage direct foreign investment and stop producing import substitutes for their home markets in order to fuel growth, Asian Development Bank (ADB) president Masao Fujioka said, Reuter reports from Manila.

He made the remarks in a speech prepared for delivery at the Seventh Business Leaders Symposium in Peking.

"The solution lies in adopting an open development strategy where production for export and the domestic market are equally attractive", he said.

MANAGEMENT

West German industry

PWH struggles with its French connection

Peter Bruce reports on the problems confronting one of Europe's largest materials handling equipment makers

HEINZ BERTHOLD is mildly irritated by the name of the company he runs. Is it PHB Weserhuette or PWH? It is both, which can be annoying. He turns his palms to the ceiling and shrugs in mock surrender.

He has, anyway, much more pressing business. PWH, one of Europe's biggest builders of heavy materials handling equipment is facing ruin. It is struggling to recover from unexpected losses in its French operations last year and, with bigger losses expected this year, it has just lost the support of its parent, the Otto Wolff group.

A looming industrial tragedy has been made all the more acute because the operational losses last year, some DM128m (£42.8m), can mostly be traced to France, which once promised to be the jewel in the PWH crown. More serious, though, is the fact that PWH is believed to be facing operational losses of around DM130m this year and efforts by its board to persuade creditor banks to write off around half its debt are being frustrated by independent attempts by the Otto Wolff group to sell control and recoup some of its own losses.

Rich in experience and expertise, PWH has for years typified the West German mechanical engineering industry's near obsession with quality and reliability. It was formed by a merger in 1980 of Pohlig-Heckel-Bleichert (PHB), a mechanical handling equipment producer owned by Arbed of Luxembourg, and Weserhuette, a mining plant and machinery company owned by the Cologne-based Otto Wolff group, one of West Germany's best known medium-sized engineering and trading conglomerates. This created a group designing and making giant excavators for the opencast mining industry, raw material distribution systems for power stations and steel and cement plants, and port loading systems.

Pohling, Heckel and Bleichert all started life making ropeways - precursors of modern conveyors and ski lifts - around the turn of the century. They merged during the Great Depression and by the 1950s PHB was a classic export business.

But a major contract in Brazil in the mid-1950s led the then Arbed management to set up a manufacturing subsidiary there and helped define new thinking at PHB. As a maker of extremely heavy, custom-designed equipment it could not simply produce in volume and throw its product at desirable markets. The group had to be on the spot in some form.

PHB opened up design offices in Australia and South Africa in the early 1970s. "This was never a strategy," says Berthold, "we just followed business." Weserhuette was doing much the same thing and placing engineers and designers in Canada, as well as South Africa and Australia.

PWH PERFORMANCE	1983	1984	1985	1986
Turnover	DMm	DMm	DMm	DMm
PWH Group	1,160.0	972.0	870.0	992.0
PWH AG only	608.2	464.8	360.3	421.0
Net profits/(losses) AG	2.5	2.6	0.25	(34.1)

PHB's expansion into Europe was also opportunist. Heckel, in the Saarland, began losing French custom after a 1957 plebiscite returned the territory to Germany. Fortunately, a French competitor in Mulhouse ran into trouble. With some of its senior managers PHB formed a new manufacturing company, PHB Someral, in 1973.

Following a big order in Spain, PHB came across a struggling Spanish mining equipment producer and took it over, giving it a manufacturing base there.

While there was little strategic about this, the cheaper export credit available in France and Spain must have been a major attraction too.

Then came the PHB/Weserhuette merger and into the limelight, as chairman of the new PWH, stepped Peter Jungen, a young man in a hurry. Jungen had spent more than 15 years with the Otto Wolff group and Weserhuette and was the apple of Wolff's venerable eye.

Friends say he was hardly ever still. He took PWH into a joint venture in Japan. He bought manufacturing capacity in Australia and the Netherlands. In 1985 he took over, from Litton Industries, Robins Engineers and Constructors, one of the biggest materials handling design operations in the US.

But his prime target seemed to be France. "The idea was to get market leadership in France," says Berthold. He added more French subsidiaries to PHB Someral, and a holding company in Paris.

The coup, though, seemed to come early in 1984, when Jungen announced that PWH, through Someral, had taken effective control of the materials handling division of Delattre-Levivier, a subsidiary of the big Creusot Loire engineering concern. The move would gain PWH valuable market share in France simply by retaining Creusot Loire as its major customer.

Also, Jungen signed a co-operation agreement with the chairman of the Creusot Loire parent, the huge Schneider conglomerate, giving Delattre access to other potential customers in the Schneider group.

"This, and the other French purchases after the merger, was a mistake," says Berthold - a board member at the time and, effectively, Jungen's deputy.

"All the (PWH board) decisions under me were unanimous," replies Jungen.

It is clear now, though, that even as Creusot Loire was selling Jungen control of Delatrre, it was itself heading towards disaster. Schneider refused to continue funding it without French Government help. When that was not forthcoming a Paris court liquidated, on December 12 1984, Creusot Loire in what was France's biggest ever business failure.

It also cost Delattre its biggest, if not only, customer and PWH's new French acquisition never really recovered.

PWH, meanwhile, had undergone another change of ownership. Arbed, forced to withdraw from Germany as the price of state aid for its sick steelworks in the Saarland, sold its stake in PWH to Hoesch, another steelmaker. Hoesch and Otto Wolff were then in contention because Hoesch wanted to merge PWH with its own construction equipment subsidiary, Orenstein and Koppel (O&K). Wolff won the fight, and complete control of PWH, when Hoesch gave up its 49.6 per cent share for DM60m. Wolff later persuaded the Aachener and Muenchener insurance group to take a 25 per cent holding in PWH.

In the wake of the Wolff-Hoesch dispute, though, Jungen was offered the chairmanship at Strabag, a business roughly three times the size of PWH. Last October, after about a year's negotiation, he accepted and left.

In February this year, PWH put out a surprise statement saying that "irregularities" in its French operations had cost it DM60m in 1986 and, three days later at a press conference, the Otto Wolff leadership did not even bother to hide its view, hotly disputed by Jungen, that he was to blame for failing to detect and stop the French losses which it then pledged to cover.

The total estimated loss later grew to DM100m and by the time the shareholders' meeting had been held last July, the 1986 operational loss had become DM128m. That figure includes about DM11m lost in an Austrian subsidiary and DM10m in West Germany, the latter caused largely by exchange rate difficulties.

Two leading players in the saga: Otto Wolff (left) and Peter Jungen. Jungen had worked for 15 years for the Wolff group when he became chairman of PWH. Now he has left the company, which makes equipment such as for opencast mining (below), and Otto Wolff has offered Hoesch 50 per cent plus one share of PWH for the nominal sum of DM1

The French "irregularity" had somehow shrunk to around DM6m and it was probably some relief to Jungen that the money had been lost at Someral, a company he inherited and which was still being run by its original managers. One has since been dismissed.

The Otto Wolff board has refused, nevertheless, to modify its view that Jungen was responsible for the entire French fiasco.

But the public accusations by the Wolff group - to journalists and at a shareholders' meeting - may have been dangerous. Markets for large capital goods like PWH's excavators and cranes are extremely sensitive to reputation. Project leaders would be loath to risk ordering from a supplier having so uncomfortable a time in public and just one order can transform the balance sheet of a company like PWH.

Competition in the materials handling equipment market is bruising. The strength of the D-mark has not helped either because the soft German market has placed an extra burden on the foreign operations. In fact, for all of Jungen's activity during his six years as chairman, PWH's numbers never really improved. New orders, DM1.2bn for the group at the end of 1981, stood at just DM1.17bn at the end of 1985. Jungen argues, though, that had he not been so active abroad, the group would have got into trouble a lot earlier.

Jungen, though, may have taken on too much himself by keeping sole control of the group's finances and foreign operations. But managing PWH could not have been easy either - of the five-man board he had inherited, only he and the personnel director were based at Cologne headquarters.

Before the Otto Wolff group cut PWH loose late last month, Berthold, an engineer and not the salesman Jungen was, described to the Financial Times how he had begun trying to implement a return to PHB's old strategy of following business and not trying to buy it.

He called PWH a "multilocal" - with efficient local subsidiaries in important markets and a strong parent. "We as a German company could not have anywhere near the business in France that we now get through our subsidiary (PHB Someral) there," he said.

Someral would stay but he had also begun withdrawing from all recent French investments, a move that will cost about 600 Frenchmen, including the entire Delattre management, their jobs. Jobs will probably go at Someral too. "We are reducing the company back to its core business - materials handling," he said.

He insisted though that the troubles in France and Austria - where a senior manager has also been replaced - would not push the group into a conservative laager. "We are going to be doing very much more thinking and searching than in the past," he said.

Also "we want to get the subsidiaries to do more," he said. "We want to be able to offer our entire programme through these (foreign) companies." The lesson in France, though, was that "you should not do more than your management can cope with."

Much of this strategy was in place when Jungen ran the group, anyway. Under him manufacturing, measured in production hours, more than halved and he also cut the German workforce by a third. PWH's 1986 annual report also praises the performance of some the foreign subsidiaries he bought.

Up until 15 days after the interview, Berthold appeared to be coping. McKinsey had helped draw up a recovery plan. The presence in Europe would be reduced.

But then, on October 20, came the bombshell. Otto Wolff, complaining that it had already injected DM150m into PWH, said PWH had increased its estimates of trading losses this year and Otto Wolff declared itself no longer willing to bail Berthold out. In a hurt reply six days later, the PWH board said they would immediately look for new partners and would ask the banks to help.

The alarming new loss estimates have not been publicly explained but it will be more difficult than ever now to pin them on Jungen's leadership. After a meeting with some 30 creditor banks in Cologne last Thursday it emerged that PWH was reckoning on an operational loss this year of DM130m and a further DM26m in 1988. Most observers believe the company has simply not been winning new business this year at anything like the rate it should be.

Last Thursday PWH was asking the banks to cut its debt in half and had hired Volker Grub, a lawyer who specialises in insolvency, to negotiate the rescue. His proposal was that Otto Wolff sell him its 75.12 per cent stake and the Aachener and Muenchener its 24.8 per cent for a token DM1. He would find a new industrial partner or owner and, it is assumed, park the shares with the banks meanwhile.

The meeting is said to have become loud when a lawyer representing the Wolff group rejected the plan outright. Given that Otto Wolff had so publicly decided to split with PWH - and in so doing arguably did as much damage to PWH's reputation and market position as the public sniping at Jungen - Grub and the banks had assumed it would have been happy to be quickly shot of it.

But they reckoned without the pact that ended the battle with Hoesch for PWH three years earlier. Hoesch was promised first option on the 49.6 per cent it gave up should it ever come up for sale again. Otto Wolff is, in fact, now offering Hoesch 50 per cent plus one share for DM1 and Hoesch has been given until the end of the year to reply.

Otto Wolff figures that if Hoesch or O&K can turn PWH around then it at least stands to recoup some of the money it has pumped into PWH.

Hoesch has been quiet. Soon after losing the PWH fight to Wolff, Hoesch bought control of Faun, an important West German construction equipment competitor, and merged it with O & K in a move that diverted management attention well away from the much heavier equipment involved in materials handling. With its market so depressed, buying PWH for O & K may just not make industrial sense now, but O & K does have a heavy mining equipment division in Luebeck that would connect well with PWH.

Berthold and his board might prefer more time to find someone other than a gloating O & K to live with but they are no longer calling the shots. The Hoesch supervisory board meets on Friday and may well decide to accept the Wolff offer and buy control. PWH's banks, too, were expected to reply to Grub's rescue proposals by Friday and they are unlikely to complain much, whatever the PWH board might want, if Hoesch does buy.

FT LAW REPORTS

Receivership documents rightly retained

GOMBA HOLDINGS UK LTD AND OTHERS v MINORIES FINANCE LTD AND OTHERS
Chancery Division: Mr Justice Hoffmann: October 9 1987

OWNERSHIP of documents in a receiver's possession depends on the capacity in which he acquired them; and the company cannot claim documents prepared at its expense and containing information not otherwise available to it relating to its business, if they were generated when the receiver was not acting as company agent, but as appointee and adviser to debenture-holders.

Mr Justice Hoffmann so held when dismissing a motion by Gomba Holdings UK Ltd and other companies in the Gomba group, against debenture-holder, Minories Finance Ltd (MFL) and Gomba receivers, Mr Andrew Homan and Mr Colin Bird. The motion sought an extension of the period in which the receivers had to comply with a court order of April 13 1987 to deliver up documents relating to the receivership, with a view to enforcement by committal proceedings.

HIS LORDSHIP said that in 1985 MFL, as debenture-holder, appointed two partners in Price Waterhouse to be receivers and managers of companies in the Gomba group.

The receiverships were discharged at the end of 1986 or early 1987. On April 13 1987, the court ordered the receivers to deliver up all documents belonging to the companies within two months.

They delivered up 268 files. They wrote to Gomba listing various categories of documents which had been generated or received during the receivership, but which they withheld on the ground that they did not belong to the companies.

Gomba *said they included* documents which belonged to the companies and ought to have been handed over.

According to the usual debenture terms, a receiver was an agent of the company. At the same time he owed a fiduciary duty to the debenture-holder, including a duty to keep him fully informed about the receivership.

The receivers in the present case were professional accountants who advised MFL on the exercise of its power as mortgagee, and also performed professional services for the companies.

They therefore acted in at least four capacities - as agents of the companies, as appointees *of MFL, as professional advis*ers to MFL, and as professional advisers to the companies.

Ownership of the documents depended on whether they were created or received in discharge of the receivers' duty to the companies, or to MFL, or to neither.

In the first category would fall all documents generated or received *by the receivers pursu*ant to their duty to manage the companies' businesses, or to dispose of their assets.

Those documents belonged to the companies.

In the second category came documents containing advice and information about the receivership or about the companies, brought into existence by the receivers to enable them to advise MFL.

Those belonged to MFL.

*The third category would in*clude notes, calculations and memoranda prepared by the receivers, not pursuant to any duty to prepare them, but to better enable them to discharge their professional duties.

They belonged to the receivers.

The documents claimed by Gomba included reports to MFL on the *situation* in the receivership, and updating letters.

Gomba said they belonged to the companies if they contained factual information about their affairs, because they might be the only available source of information about the way their businesses were conducted in the receivership. Also, they were prepared at the companies' expense.

Ownership of documents was not to be tested by reference to whether they related to the companies' affairs. It was not a claim for discovery, but a proprietory claim, and depended on the capacity in which the receivers were acting when they brought the documents into existence.

It was irrelevant that the documents might contain information about the companies which was not available to them in their own documents. The receivers might owe a separate duty to the companies to provide such information as part of their duty to render an account, but the companies could not claim documents prepared for MFL.

Nor did it matter that they had paid for the documents in *the sense that as a matter of* contract with MFL they had to bear the costs of the receivership.

In a *simple* principal and professional agent relationship, the fact that the principal had been charged for creation of a document was a stong indication that it was created pursuant to a duty to him, and there*fore* belonged to him.

But the source of payment was of little assistance when it was made pursuant to a contractual obligation owed by one principal to another and the professional agent owed duties to both.

The documents claimed by Gomba were prepared for MFL, created by MFL primarily for *its own records, or related to* advice to MFL.

There was nothing to suggest that the order of April 13 had not been obeyed.

The motion was dismissed.

For Gomba: Terence Cullen QC and Anthony Trace (Holman Fenwick & Willan).

For MFL: Michael Crystal QC and Richard Adkins (Freshfields).

By Rachel Davies

Barrister

CONTRACTS

Orders worth over £28m for Haden Group

HADEN GROUP's UK companies - specialists in automated manufacturing systems - have won orders worth a total of over £28m. These include a complete paint shop for the Beijing Jeep Corporation in China costing over £4m. Other orders include a two-bay painting facility for British Aerospace, believed to be the largest and most complex of its type in the world. Nissan U.K. has placed contracts worth more than £4m for a second phase plant expansion, including spray booths and conveyors, at Washington, Tyne and Wear. Haden is supplying a computer-controlled book handling system costing over £2.5m for the *British Library* project in London.

*

FAIRCLOUGH TUNNELLING has won a £3.1m contract from Severn Trent Water Authority for the New Studley Tunnel, which will duplicate a section of the Elan Aqueduct in Shropshire.

The 110-week project entails constructing 1330 metres length of 2.65 metres diameter tunnel under Glee Hill, near Ludlow. Fairclough will use various primary support techniques as ground conditions vary from weak marls to hard limestone. Excavation will be by means of a roadheader incorporating a universal drilling boom for use where drill and blast techniques are required. The tunnel will be lined with in-situ concrete.

Fairclough, part of the AMEC construction and engineering group, initially has to provide various accommodation facilities, including upgrading 2km of public roads and constructing 2km of access roads to enable plant to reach the isolated site.

*

The Municipality of Jonkoping, a city of over 100,000 people in southern *Sweden*, has placed an order with **ASEA STAL**, Finspong, for a heat pump plant for connection to the local district heating system. The order is worth around SKr 30m (£3m). The plant is to be ready for commercial operation in September, 1988, and will produce 20-25 MW of heat. This will be extracted from treated sewage effluent from the municipal sewage works and process water from the Munksjo pulp and papermill *in Jonkoping.*

*

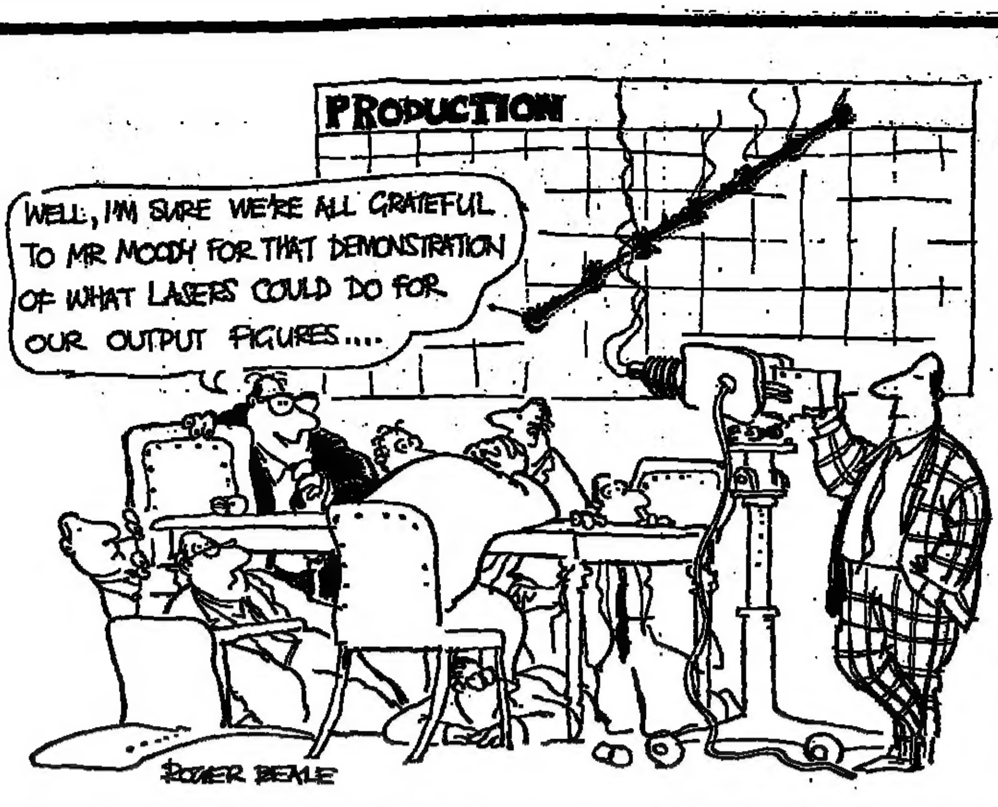
Motorway plan

KENDEL PALMER & TRITTON has been awarded a contract to develop proposals for widening and improving sections of the M6 motorway in Lancashire between Junction 30, the M60 Manchester *motorway* and Junction 32, the M55 Blackpool link. The project is to widen the M6 - the first motorway to be built in the UK, in the late 1950s - to four lanes between Junctions 30 and 31, and to improve the motorway between Junctions 31 and 32, providing climbing lanes, hard shoulders and junction improvements.

TECHNOLOGY

Beaming in on the kindest cut of all

David Fishlock, Science Editor, explains how lasers can sharpen the production efficiency of UK manufacturing industry



LASER BEAMS will become the means by which entire products are fashioned and fabricated, from non-metals as well as metallic materials, two British engineers believe.

This, they say, is because the laser beam is a precision tool which cuts, joins and processes materials more quickly and cleanly than conventional tools and never needs to be sharpened or reset.

They also claim it to be the perfect tool for incorporation with robotics. As for power, they foresee an evolving technology from a few kilowatts of laser energy today to 20-30 kilowatt carbon dioxide lasers within the near future, and still higher power from a new kind of laser - the carbon monoxide laser - within a few years.

Two years ago Brian Moody and John Chadwick, both mechanical engineers, were developing laser-beam robotics for Fairey Engineering, a founder-member of the Culham Beam Users' Club, set up by laser engineers with the UK Atomic Energy Authority's Culham Laboratory near Oxford.

Moody and Chadwick had ambitious schemes for an automated laser production line fabricating scores of the stainless steel "glove boxes" Fairey is making for the UK Ministry of Defence's new plutonium production line at Aldermaston.

The clue to successful laser robotics, says Moody, is a control system for manipulating the beam, and which knows exactly where the beam is at any instant. Neither the machine tool makers nor the robot-makers know how to do it, he contends confidently.

The problem is that a laser beam powerful enough for the machine shop cannot be manipulated by optical fibres. The beam would lose its coherence in negotiating bends in the fibre, and with it too much of its energy. To maintain its coherence the beam must be bounced from mirror to mirror along a path that remains unimpeded - no matter what manoeuvres the machine tool itself may perform - until it reaches the point where it can be focused on the workpiece.

Early last year Fairey Engineering lost interest in laser robotics. Nevertheless, it helped Moody - "in every way possible short of giving me money" - to set up his own company, Integrated Laser Systems, to try to exploit his ideas for manufacture with high-power laser beams. He was joined by John Chadwick as his technical director.

Together they drew up a five-year plan for the development of Integrated Laser Systems (ILS), identifying three potential markets for what they envisaged as a systems house specialising in industrial applications of lasers. These were consultancy, including a "surgery" for people having problems with laser manufacture; laser machine tools using ILS beam manipulation; and a "jobbing" activity based on laser machines to help their own designers with feedback from the shop floor.

> **Speed is the big advantage to be gained by using lasers, along with cleaner shaping of components which require no further finishing**

One of their City backers says it was one of the best business plans he has seen in search of venture capital.

ILS was already in business as a consultant when an unexpected opportunity arose for it to leapfrog three years or more of its business plan. This was the chance to buy Control Laser, of Daventry, a maker of high-power lasers which was founded by British Oxygen but by then was US-owned. Control Laser had annual sales exceeding £3m and about 200 laser machine tools already delivered, mostly overseas.

A venture capital syndicate - Prudential Venture Managers, Charterhouse Japhet and British Coal Enterprises - provided £750,000 to fund the purchase. Says Moody: "It gives us a level of credibility which would have been difficult to achieve."

For Chadwick, the acquisition has accelerated the opportunity for applying his schemes for laser robotics to a robust range of manufacturing machines. The two engineers still see ILS as a systems house seeking machines that can incorporate their novel schemes for beam control and manipulation. These will not be standard machine tools, they stress, but machines that can take full advantage of a very fast-acting tool that is exerting no pressure on the workpiece.

The Control Laser machines use the fast axial flow design of carbon dioxide laser on which ILS was already basing its plans. This technology originated in Britain, with BOC and the Welding Institute.

The standard machine in the new ILS range has a steady output of up to 2.7 kW, continuously variable over the range 0.5 kW to 2.5 kW. The beam is invisible (infrared) at a 10.6 micrometres wavelength.

Chadwick says the weakness at present is that the systems they have acquired will not give customers round-the-clock service. He plans to re-engineer every part of the Control Laser designs, for the higher standard of reliability he reckons is essential if ILS is to widen interest among production engineers.

Britain, for instance, probably has only a few hundred laser machines in production at present. Yet a typical car already contains about ten parts which have been laser-processed, such as hardened gears, cylinder-head gaskets and serial numbers engraved by laser.

Speed is often the overriding advantage to be won from a laser, along with a clean cut needing no further finishing. This applies to large as well as small parts.

A carbon dioxide laser power level of 1.2 kW will slice cleanly through 9mm of carbon steel at the rate of 1 metre a minute.

Moody believes cutting operations of every conceivable kind, using a tool which exerts no pressure, represents the biggest potential market for the industrial laser. It works equally well on materials ranging from the toughest alloys to wood, paper, plastics or quartz.

Chadwick even forecasts that the laser will eventually eliminate the press shop in car body production, once mechanical handling catches up with the laser's speed.

He sees welding as the next biggest potential market. Within the present range of laser output energies, Moody claims laser welds to be superior, in both quality and productivity, to all alternatives - including electron-beam welding.

Laser beams can also be used to apply diverse surface treatments, such as heat treatment and protection against heat or corrosion. In each case the depth of material affected by heat is very slight. Rolls-Royce is cladding aero-engine parts with heat-resisting Nimonic alloys, for example, and even ceramic coatings have been applied with the use of lasers.

Later this year ILS expects to start testing at Daventry a beam manipulating system it has designed for Britain's most ambitious scheme in industrial lasers. This is the 25 kW laser, costing £10m, which is planned by the UK Welding Institute under Europe's Eureka research programme. Ferranti, Culham Laboratory and others will be collaborating in the project.

Plessey security for electronic retailing

PLESSEY CRYPTO, the Liverpool, UK communications security equipment company, has been chosen by EftPos UK to supply the security hardware and software for the planned UK national system for electronic funds transfer at point of sale (EFTPOS).

The UK system is likely to be the first to achieve funds transfer for retail transactions with all leading national banks and building societies.

Each transaction on the EftPos UK system will start when the customer's card is put into the retailer's terminal, which reads the identification data from the magnetic stripe.

The card holder enters his or her PIN (personal identification number) on a customer terminal, the security scheme system attaches a digital "signature" and the data goes off down a phone line to the EftPos central computer in London.

It is then relayed to the customer's and retailer's banks, which are debited and credited respectively. The Plessey system secures the message against fraud or accidental alteration.

Chemical safety from the US expert

BATTELLE, THE US-based research organisation of Columbus, Ohio, has developed a personal computer expert system that will assist users in selecting methods of evaluating the safety of chemical facilities.

This expert system, called Sophie (selection of procedures for hazard identification and evaluation), provides managers and risk analysts with guidance in dealing with hazards in a specific plant situation. It provides weighted suggestions concerning the best hazard evaluation procedures, (of which there are several in existence to choose from).

The suggestions are based on factors such as plant design, systems characteristics, prior analysis and the experience of the analysis conducting the assessment. Containing over 100 rules, Sophie, costing US$125, is designed to run on an IBM personal computer.

Asea lights way for temperature readings

ASEA, THE Swedish electrical group, has applied its recently developed fibre optic temperature measurement system to the detection of fault producing hot spots on printed circuit boards.

The system has the advantage that the measuring probe used on the end of the fibre is very small, is non-metallic and does not extract heat from the measuring point to distort the reading.

In this respect the technique is superior to conventional metallic thermocouples, which can cause a short circuit on the board and, since their connections carry current, can interfere with the board's circuits by induction.

A tiny chip of semiconductor (gallium aluminium arsenide) is cemented at the measuring end of the fibre. At the end remote from the board, a light emitting diode sends energy down the fibre which, when it strikes the chip, excites the production of light at a different wavelength, dependent on the chip's temperature. This new energy goes back up the fibre where its wavelength is measured to determine the temperature.

Burrowing into surface intricacies

THE NATIONAL Centre for Tribology (NCT), at Risley, Cheshire in the UK, has initiated a three-year, £3m research programme which, called Cast (coatings and surface technology), aims to get surface modification processes into industrial use. Industrial participation in the programme is being sought.

A previous NCT programme has examined the benefits of surface coatings with specific reference to improved wear and lower friction in bearing surfaces. Titanium nitride is of particular interest since it is extremely hard, very wear resistant, chemically inert and has an unusually low coefficient of friction.

Vapour deposition of layers just two or three microns (millionths of a metre) thick produce a smooth, dense, adherant surface which barely alters the dimensions of the component to which it is applied.

How small firms can ring up big savings

THORN ERICSSON of Horsham in the UK has introduced a digital telephone system aimed at smaller companies needing between 10 and 229 extensions and up to 32 exchange lines.

Called Multilink, the system's introduction marks a new thrust into the small company exchange market by Thorn Ericsson. According to Terry Henson, director for private systems, few of the 16 competing suppliers in the UK have digital systems that are realistically priced for customers wanting fewer than about 100 lines.

Henson says Multilink will help companies reduce their phone bills and can be programmed to serve a specific business in the most efficient way.

ICI's answer to a cleaner countryside

A MEANS of helping to keep organic chemicals like pesticides and sheep dips out of the environment is offered by ICI Agrochemicals of Haslemere, Surrey in the UK.

ICI's Carbo-Flo treatment has been incorporated into a small-scale mobile unit, called Sentinel, by Allman of Chichester in Sussex. This operates on a batch basis and is small enough to be mounted on a tractor.

Its object is to treat diluted effluents that result from washing out crop spraying tanks in farming, for example, or from industrial operations that use organic chemicals. Carbo-Flo uses inert chemicals which are able to deposit suspended organic solids as a sludge. After that, any dissolved chemicals are removed by a series of carbon filters.

Government urged to tighten computer security

BY DAVID THOMAS

GOVERNMENT departments should tighten up computer security to protect billions of pounds of business passing through their computers, according to an official report published yesterday.

The report, by Sir Gordon Downey, the Comptroller and Auditor General, is likely to be considered by the House of Commons' Public Accounts Committee next year.

It found that more than £300bn of government expenditure and receipts are processed on computers every year.

The risks to this business from computer fraud, disaster, abuse and error are increasing through the rapid growth in the use of computers.

Assessing the precise level of risk and the effectiveness of counter-measures is difficult, however, because there are no comprehensive statistics on computer fraud and disasters in the UK public or private sectors.

Within Government departments, the report concluded, computer disasters have had more impact than computer crime. With the exception of industrial action, the impact has so far been relatively small.

The report cites 11 cases of computer fraud in Government departments between 1981 and 1986, with the highest loss being £51,000. It also quotes six cases of computer disasters between 1984 and 1987 mainly through fires, the largest loss being £800,000.

The report found that staff shortages were seriously hampering the Central Computer and Telecommunications Agency in its work to help departments tighten up computer security. As a result, advice needed by some departments was delayed by more than a year.

Departments are generally moving in the right direction, the report concluded, but examination of computerised financial systems over the past eight years by the National Audit Office revealed a wide range of weaknesses, many of which were elementary.

In particular, many departments had failed to draw up contingency plans to cope with computer disasters and lacked effective stand-by arrangements.

The report makes a number of administrative recommendations, among them that departments should appoint their own computer security officers.

Computer Security in Government Departments. National Audit Office, Buckingham Palace Road, London SW1W 9SP. £3.90

Car plants face revolt on flexible working

By Charles Leadbeater, Labour Staff

PRODUCTION at Vauxhall and Ford car plants was seriously disrupted yesterday by escalating industrial action against the companies' pay offers, both of which are linked to changes in working practices.

About 4,000 manual workers at Vauxhall's Ellesmere Port plant, north-west England, held a 24-hour strike which is due to end this morning. Manual workers at the company's Luton car plant, and its Dunstable truck plant, both north of London, are expected to take similar action following mass meetings this morning.

Union officials said the workers were mainly angered by the company's proposal to introduce versatility bonuses to reward workers' adaptation to more flexible working practices.

The company has conceded that the first round of bonuses would be paid to most production workers and skilled maintenance workers; but thereafter, the bonuses would only be paid after individual appraisals

Negotiations over the company's two-year offer, which includes basic pay increases of 4 per cent a year, ended in deadlock last week, without a date being set for their resumption.

Supervisors at Ford's Halewood plant, also in north-west England, yesterday started an unofficial five-day strike over the company's proposals for wide-ranging changes to their role which are almost certain to lead to job losses. Production at Halewood was also disrupted as 800 maintenance workers cleared up a backlog of faults after a one-day strike.

Air merger go-ahead expected

BY OUR POLITICAL EDITOR

LORD YOUNG, the Trade and Industry Secretary, will this morning give his long-awaited decision on the proposed merger of British Airways with British Caledonian.

The expectation among interested members of parliament is that the deal will have been given the go-ahead by the Monopolies and Mergers Commission.

It is thought, however, that tight conditions will be imposed to ensure continued competition on some of the key domestic and international routes currently operated by the two airlines.

Lord Young, who received the MMC report a week ago, is expected to take the unusual step of holding a press conference to explain his decision, after he has seen the chairmen of the two companies, Lord King of BA and Sir Adam Thomson of BCal.

The timing of the announcement is partly because the Government wants to be able to set out its approach during a full-day House of Commons debate on transport policy called by the opposition for this afternoon. Mr Paul Channon, the Transport Secretary, is due to speak.

MPs closely interested in the issue were saying last night that much will depend on the terms that Lord Young sets out, to ensure continued competition by allowing other airlines to offer existing BCal routes, and on the viability of the deal.

During the MMC investigation BCal has been holding talks with other airlines, notably on the Continent, about possible mergers should the deal with BA fall through.

The sharp fall in share prices since the BA/BCal deal was first proposed this July will also determine whether the merger is successful.

Cash squeeze ahead on jobless benefits

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is to tighten the financial squeeze on large numbers of unemployed people who have left their previous jobs voluntarily or been dismissed for misconduct.

The move, which was immediately attacked by the opposition Labour Party, involves a doubling to a maximum of 26 weeks in the period for which the "voluntarily" unemployed are disqualified from receiving unemployment benefit.

If the person receives supplementary benefit it is reduced, normally by 40 per cent, for the same period.

Mr Nicholas Scott, Minister for Social Security, said, in a parliamentary written answer, that a main purpose of the sanctions was "to discourage people from leaving jobs voluntarily without just cause."

He said that in the nine months from October 1986, when the maximum disqualification period increased from six to 13 weeks, the number of claims from people leaving work for this reason had increased. This had occurred at a time when, when, thanks to falling unemployment and the strengthening economy, the total number of claims from unemployed people had significantly reduced.

About 420,000 people a year are disqualified under these provisions out of about 5.3m benefit claims in all. About 180,000 people have their supplementary benefit reduced as a result.

The proposed change, which requires parliamentary approval, is being introduced from next April 11, when the new system of income support comes into operation.

Mr Michael Meacher, Labour's employment spokesman, argued last night that the Government had for some time wanted to reduce entitlement to unemployment benefit from a year to six months.

He said the change was "a blank cheque for unscrupulous employers who arbitarily cut wages, sexually harass their workers, sack without reason or break the health and safety laws. Workers realise they can't afford to support their families while they wait for justice to be done

He argued that it was the first time in the history of the welfare state that families with children would be expected to survive on an income 40 per cent below the official subsistence level for a full six months.

Hopes for offset sales rise as seventh Awacs ordered

BY DAVID BUCHAN

THE MINISTRY of Defence yesterday announced that it was buying a seventh Awacs (airborne warning and control system) early warning radar aircraft from Boeing for more than £100m.

Mr George Younger, the Defence Secretary, told parliament that the seventh Awacs would "provide a significant enhancement over the six-aircraft fleet ordered earlier this year and a robust capability to mount continuous airborne early warning patrols."

Last December, the MoD wrote off the £1bn it had spent on the all-British Nimrod radar aircraft project and decided instead to buy six Awacs aircraft, with an option on a further two.

The purchase of a seventh Awacs does not totally meet the Royal Air Force's wishes, but will bring an offsetting increase in business for UK industry.

The RAF, which has for most of the past decade lobbied for the Awacs over the Nimrod, said last night it would have preferred eight Awacs aircraft. But seven would be enough to mount three patrols of the large air defence area for which the UK is responsible within Nato.

The area stretches beyond UK airspace, north towards Iceland and Norway covering the North Sea and the south-west approaches over the Atlantic.

France, which joined the UK in a co-ordinated purchase, has already exercised a similar option from Boeing and recently bought a fourth aircraft in addition to the three Awacs it contracted for this year. France is outside Nato's integrated military structure and thus lacks formal Nato responsibilities, having only its national airspace to patrol.

As the key condition of its initial £860m contract to sell six Awacs to the UK, Boeing agreed to place offset work with UK industry worth 130 per cent of that contract. The order for the seventh will bring the contract value to around £1bn and raise the offset commitment to some £1.3bn.

Boeing has eight years to fulfil its offset commitment, which is seen as a valuable opening for UK companies to supply Boeing and its many sub-contractors. So far, Boeing claims to have placed around $120m (£67m) worth of business with British companies, and the company recently set up an offset office in London.

Enterprise project fails to start on schedule

By Ian Hamilton Fazey, Northern Correspondent

ONE OF the showpiece projects designed to create a better enterprise culture in the north-east has failed to start on time. The project will also have to be scaled down even more than it already has been if another £200,000 cannot be found from the private sector.

This is likely to raise questions about the Government's reliance on the private sector to fund important elements of economic regeneration in difficult urban areas. "Regular" private-sector money donors have already given generously but it has not proved enough.

The Cleveland Enterprise Centre in Middlesbrough - planned as a £2.2m example of the best in job-creation practice - has already been backed by the areas's big employers or funding agencies.

They are led by Imperial Chemical Industries, BSC Industry, British Telecom, Barclays, Northern Foods and Esso - which have given at least £10,000 each.

In addition, IBM has seconded Mr John Southerst, a senior estates manager, for two years to get the centre built and operational. Marks and Spencer has offered materials, mainly carpets. Middlesbrough City Council has also given full support.

Work on the centre was due to start in September on a site near Cleveland's enterprise agency. It would eventually house the agency and provide flexible, managed workspace, offices and studio areas for small businesses in their start-up years. The area has 20 per cent unemployment.

The private and public sectors were due to provide about £700,000 each, with the remaining funds raised as a commercial loan. Public-sector input would be via direct grants from the urban programme and from subsidised labour - by employing the building workers under the Manpower Services Commission's community programme.

Mr Southerst said yesterday that January would now be the earliest that work could start. Plans had been scaled down when it was realised that the private-sector funding share would not be reached.

Although talks were in progress to try to get more public-sector help, the centre needed a further £200,000 private-sector support to proceed.

A mail shot was planned to all private businesses in Cleveland, as well as an approach to Britain's top 200 companies.

Since the election, the Government has emphasised the role it sees the private sector playing in regeneration of northern conurbations. Government policy has been to match private-sector funds on such projects and to give tax breaks to companies making donations.

Dim view of European space plan

Peter Marsh, in The Hague, on Europe's £7.2bn plans to put people into space before year 2000

THE UNMISTAKABLE whiff of hardline Thatcherite policies on state spending and Europe hung over a conference in The Hague yesterday when Britain confirmed that it would stay on the sidelines in a west European project to put people into space by the year 2000. Mr Kenneth Clarke, Trade and Industry Minister, clung to his position.

This was that the plan by the 13-nation European Space Agency - to spend $13bn (£7.2bn) on projects to develop manned space vehicles - was a waste of government resources and would mean the Paris-based agency would run out of control.

When he said Hermes - a French-inspired space shuttle to carry people into orbit atop an Ariane-5 rocket - was unrealistic, overambitious and unnecessary, it might almost have been Mrs Thatcher speaking.

Manned projects to which the agency nations yesterday agreed include, in addition to Hermes and Ariane-5, the Columbus manned space laboratory.

Mr Clarke said those would mean the agency growing like Topsy and consuming much taxpayers' cash that could be better spent elsewhere.

He shrugged off the fact that France, Italy and West Germany, with some smaller nations in the agency such as Belgium, the Netherlands and Spain, had agreed to put up the $5bn Hermes is likely to cost.

He said: "I still think I'm right and they are wrong. If these countries want to frolic in space on their own then that's their affair."

Under agency rules, different states can choose which programmes they will back. Mr Clarke said he hoped Britain would stay a leading agency-member although it was unlikely to raise its £85m annual contribution in the near future.

That cash is largely spent on programmes such as telecommunications and earth-mapping satellites where Britain thinks there is a greater prospect of commercial return.

Britain, besides refusing to join the rest of Europe in funding Hermes and Ariane-5, has

Kenneth Clarke: agency would grow like Topsy

adopted a wait-and-see approach on Columbus.

It will wait, before deciding whether to back the programme financially, until the agency nations and the US have agreed details of how Columbus is due to plug in to a US-led international space station planned for the 1990s.

Other states did their best yesterday to be diplomatic about the UK's refusal to go along with the west European manned space programme.

Mr Heinz Riesenhuber, West German Technology Minister, said each state had to make its own decision about which project to back.

However, Professor Antonio Ruberti, Italy's Research Minister, voiced a general feeling when he said he did not understand the UK position that future large-scale space projects should attract significant amounts of private rather than public money.

Behind the isolated position the UK found itself in yesterday over spending appears to have been a failure by UK officials to read their European colleagues' minds.

Until late yesterday Mr Clarke appeared confident that other countries in the agency would back his proposition that Hermes in particular, was too expensive and unnecessary.

In the event, the other states queued to back the project to such a degree that the programme for funding Hermes is oversubscribed.

One top UK space official said: "I am very disappointed. We heard mutterings from the other countries that they didn't like Hermes. But when it came to a crunch the rest of Europe didn't back our position."

Row over semiconductor plan

BY DAVID THOMAS

A ROW has broken out about a plan presented to Mr John Fairclough, the Government's chief scientific adviser, for a £255m, five-year programme of government support for the UK semiconductor industry.

The plan has been drawn up by a committee representing the Trade and Industry Department and leading British electronic companies. The committee was set up to advise on how the Government should support the semiconductor industry now that the Government-backed Alvey programme for research into advanced information technology is drawing to a close.

The committee's report, just completed and called A National Plan for Silicon Microelectronics, emphasises that the Government should support advanced semiconductor manufacturing, known as very large-scale integration (VLSI).

It argues: "Our major industrial competitor nations have each identified their microchip industries as strategic to their national interests. They are providing massive and effective financial support to their own companies."

The report makes several recommendations for government support, including:

- The Government should encourage British VLSI manufacturing and user companies to collaborate to spread the research and development load.
- A small number of facilities, to be called Industry Technology Centres, should be set up for advanced VLSI research.

However, the report's conclusions have been criticised in a dissenting note by Mr Iann Barron, chief strategic officer of Inmos, a semiconductor company, which questions whether the Alvey programme improved the competitive position of the UK semiconductor industry.

Mr Barron believes the Government should promote those parts of the British semiconductor industry which have a chance of world success, to the exclusion of the remainder. He also doubts the report's emphasis on research because its effectiveness cannot be assessed. The Alvey directorate was not available for comment last night.

Plea to retailers on AIDS fight

BY RAYMOND SNODDY

MS ANITA RODDICK, managing director of the Body Shop, yesterday attacked some of her fellow retailers for failing to support the Virgin Healthcare Foundation, which plans to market inexpensive condoms and education for young people in the battle against AIDS.

Ms Roddick, a trustee of the foundation set up by Mr Richard Branson, chairman of the Virgin Group, said yesterday it had not been easy to persuade some retailers in areas such as fashion to stock Mates, the foundation's new condom.

Too many retailers, she said, had judged "profit lines and image more important than social responsibility." Marks and Spencer, for example, had said that sale of condoms was "not within their customer profile."

Ms Roddick said the aim of the campaign was to make condoms, particularly for the young people most at risk from AIDS, a completely unremarkable purchase.

Only three organisations had agreed to sell Mates condoms, priced on average at 15p compared with the current average price of 20p, without profit - Medicare, Virgin and the Body Shop.

A wide range of outlets, including more than 1,000 branches of Boots, Superdrug, W.H. Smith, Safeway and pubs, clubs, hotels and garages had agreed to stock Mates on a commercial basis.

The aim is to sell 70m condoms, manufactured by Ansell of the US, in the first year of the campaign. An estimated 120m-130m were sold last year in the UK and of that 96 per cent of the market is held by London International.

Mr John Jackson, chief executive of Mates Healthcare, the trading company set up by the foundation, believes Mates condoms will raise £5m in profit for its educational programme in the first year.

A £3m advertising campaign on television and the press will try to reduce the embarrassment in buying condoms. Although UK condom sales have risen by 20 per cent in the UK this year, that compares with a rise of 90 per cent in West Germany and 300 per cent in Japan. Yet the British Medical Association estimates that by 1991 more than 100,000 people in Britain may be infected by HIV, the AIDS virus, and 10,000 will have died.

Housing job for former M&G chief

By Andrew Taylor

MR DAVID HOPKINSON, retired chief executive of M & G Group, the unit trust group, is to become chairman of the Housing Finance Corporation, which involves raising private investment for Britain's voluntary housing associations.

The new fund-raising body is central to government plans to expand the role of housing associations by encouraging greater private investment in rented housing.

The proposals that the role of local authorities as leading providers of rented accommodation should decrease as housing associations, backed increasingly by private money, assume greater responsibility, says the Government.

The Housing Finance Corporation, a non-profit-making industrial and provident society, is sponsored jointly by the Housing Corporation, which administers more than 2,500 housing associations, and the National Federation of Housing Associations.

The finance corporation intends to raise about £100m from private investors during the next 12 months. Its aim will be to channel the money to associations without the size or expertise to raise private investment in their own right.

Move on council auditors' role

BY ANDREW TAYLOR

PLANS TO allow local authority auditors to stop councils from making illegal expenditure and from incurring unlawful losses were announced by the Government yesterday.

Mr Michael Howard, Local Government Minister, also proposed that local authority treasurers should be required to report to councils if they believed local authorities were planning to spend illegally. Councils would be given 21 days to decide what to do about a treasurer's report.

The proposals are designed to allow auditors to take early action against councils to prevent things going wrong.

Auditors can apply to the courts now only after illegal expenditure or losses have been incurred. If found guilty, councillors can be disqualified and surcharged.

Under the new rules, auditors would have the power to issue a "stop order" restraining councils from unlawful spending. Auditors would have to give reasons for their decision and councils would have the right to appeal to the High Court.

Auditors would also have the right to apply for a judicial review of a council's financial affairs.

The proposals are based on recommendations made in the Widdicombe committee report on the conduct of local authority business published in June last year.

The committee concluded that auditors had sometimes appeared insufficiently active in dealing with complaints of unlawful expenditure and that systems for remedying the problem were too slow.

It recommended that the Audit Commission, which oversees local authority auditors, be given powers to seek interim injunctions restraining councils from spending illegally.

The Government said yesterday, however, that it agreed with the Audit Commission that new powers would be better given to auditors. Mr Howard told the Commons: "I believe these proposals will strengthen the position of the treasurer and the auditor."

The Government, he said, intended to introduce the provisions in the present parliament.

Role seen for renewable power

BY LUCY KELLAWAY

RENEWABLE ENERGY could make an "effective contribution" to energy supplies in the UK by the middle of the next decade, Mr Cecil Parkinson, Energy Secretary, said yesterday at the opening of the world's largest wind turbine at Burgar Hill on the Orkney Islands.

Mr Parkinson said the Government was committed to encouraging "all economic and environmentally acceptable sources of energy." Diversity was the key to ensuring a secure supply of energy, he said, and promised that the Government would investigate the role to be played by renewable sources.

The turbine, by far the biggest windmill in the UK, is as tall as Nelson's Column and generates 3 MW of electricity, enough to supply 2,000 homes. It was built by the Wind Energy Group, a consortium of British Aerospace, Taylor Woodrow and GEC.

Mr Parkinson said British industry had made good headway in securing world markets for wind turbines, in particular, supplying turbines to California, where wind is becoming an increasingly important source of power.

The Government has spent £110m in the UK on renewable energy since 1979. Wind energy, on which the Government is spending about £4m a year, was one of the most promising areas, Mr Parkinson said.

However, the sums are small when compared with the money invested in conventional power stations, which cost about £1bn each to build.

Council service bill misgivings

By John Gapper

CONSUMER GROUPS, local authority leaders, personnel managers and trade unionists met yesterday to share their fears over the Local Government Bill, which will restrict contract compliance and lead to more tendering of council services. Contract compliance is the practice of requiring contractors to fulfil certain employment conditions.

A number of speakers at a London conference organised by the Trades Union Congress argued that councils would have to improve the quality of their services to win the public argument over tendering.

Speakers from both the National Consumer Council and the Institute of Personnel Management said they viewed with concern the advent of competitive tendering and the possibility of an end to contract compliance.

Trade unions fear loss of members and a deterioration of employment conditions after the bill becomes law.

Decision on US shake-up of Lloyd's affairs awaited

BY NICK BUNKER

LLOYD'S OF LONDON is likely to know in the next 10 days whether the US Congress will proceed next year with plans for a radical shake-up of the insurance market's US tax affairs.

Lloyd's has launched a lobbying campaign in Washington DC to divert the proposal, which it says is unworkable in practice.

It also fears that the measure, if adopted, would force the 300-year-old market to scrap its cherished three-year accounting period.

However, congressional officials yesterday said the proposal had now become one of a "Chinese menu" of fiscal proposals that would have to be decided by November 20 as politicians discussed ways to cut the US budget deficit.

Mr Jim Jaffe, an official with the House of Representatives Ways and Means Committee, said it would probably have to be dealt with by a joint House-Senate conference in the next week or so.

Better checks urged on beach pollution

GREENPEACE, the environmental pressure group, is urging the Government to improve monitoring controls on Britain's beaches because of a possible link between polluted sea water and ill health.

Greenpeace says that because of inaccurate testing, far fewer beaches meet EC "safe bathing" standards than the Government suggests.

Munich flights for Air Europe

By Michael Donne, Aerospace Correspondent

AIR EUROPE, the independent airline owned by Mr Harry Goodman's International Leisure Group, will start daily return flights between Gatwick and Munich on December 17 as part of its plan for a short-haul European network of scheduled services.

Other routes it is planning to start early in 1988 include flights to Amsterdam, Brussels, Frankfurt and Paris.

Air Europe says it is now working out its fares for the Munich route and they will undercut current British Airways and Lufthansa club class return fares of £306 by as much as 15 per cent.

Air Europe also says that it will offer only one class of service throughout the aircraft.

GEC venture wins contract

By Nick Garnett

DESIGN WORK on the central control system for the Sizewell B nuclear power station has been awarded to Leicester-based GEC Power Instrumentation and Control.

The company is a joint venture set up earlier this year between GEC and CGEE Alsthom of France.

The £3m contract was awarded by the Central Electricity Generating Board. The joint Anglo-French company will be hoping to secure the eventual building contract.

The Sizewell central control system involves the main and auxilliary control rooms, automatic control systems, central data processing and a communications network.

GEC said the joint venture company would bid for design and supply work for power station controls and instrumentation in the UK and abroad.

Industry urges Parkinson not to break up CEGB

BY LUCY KELLAWAY

THE FEDERATION of British Electrotechnical and Allied Manufacturers' Associations has written to Mr Cecil Parkinson, the Energy Secretary, warning him against splitting up the Central Electricity Generating Board as part of his plans to privatise the electricity industry.

The association, which represents 500 industrial electrical and electronic manufacturers, argues that breaking up the industry would be destabilising and would damage manufacturers and consumers.

The request runs counter to the pressure being put on Mr Parkinson from consumer groups and other bodies to break up the industry in order to change its monopoly position.

The letter also warns of the danger to consumers and the industry of hurrying privatisation. It suggests that the present crisis in world financial markets might give the Government more time to draw up its plans.

"It is important in the national interest that a single entity should be responsible for the base load generation through the operation of the existing major generating stations," the association says.

It argues that some competition could be introduced by allowing for local generating companies, perhaps involving them in co-generating projects such as those used in the US.

The association says the national grid should be kept as a single unit, while the area boards should be sold off individually unless there is a sensible basis for amalgamation.

IRA threats force walkout

THE entire workforce of a building team on the RAF Aldergrove base in County Antrim resigned yesterday after IRA threats.

The crew of about 150 men quit when they were called "collaborators" by the Provisionals.

Last week, 100 builders resigned from a team working inside the army's Palace Barracks at Holywood, County Down, after similar threats.

The IRA later admitted having fired at a leading member of the building firm and threatening him.

The intimidation campaign has been resumed after a lull. A year ago many building firms were forced to lay off hundreds of employees and stop work on security force contracts because of IRA threats.

The Government sent in extra troops to guard remaining workers and to carry out essential repairs themselves.

The Workers' Party Northern Ireland said it was appalled that people had been forced back on the dole by the threats.

James Buxton reports on why the Highlands want to go their own way with power generation rather than taking the Lowland road

Scottish electricity boards generate an argument over privatisation

A CROFTER in the Highlands is almost certain to offer the linesman from the North of Scotland Hydro-Electric Board a cup of tea when he arrives in his pale blue Land Rover to restore power after a winter storm. For the board enjoys an esteem among its customers that is almost unknown to Britain's other electricity boards.

The special status of the NSHEB in the north of Scotland lies at the heart of the difference of opinion developing between it and the much larger South of Scotland Electricity Board (SSEB) over the form in which the Scottish electricity industry should be privatised.

While Mr Donald Miller, chairman of the SSEB, has been pushing the arguments for the creation of a single holding company, with its shares held by the public, which would own both boards, the NSHEB is developing a case for each board to be privatised separately.

The structure of the electricity industry in Scotland might actually make it easier to achieve a degree of competition in power generation north of the border than in England and Wales.

Mr Malcolm Rifkind, the Scottish Secretary, has said that the Scottish electricity industry would be privatised separately from that of England and Wales. Whereas in England and Wales the Central Electricity Generating Board is responsible for all generation and transmission, Scotland has two boards. They each generate and, unlike the area boards in England, also distribute power to customers.

If the two boards were privatised independently of each other they would presumably not compete for customers but would be in competition in the sense that it would be possible for the performance of the two boards to be closely compared.

The NSHEB was created in 1943 to bring power to the Highlands, primarily from about 50 small hydro power stations which it built on lochs and rivers all over the Highlands.

The board was given the task of assisting "the economic development and social improvement" of its territory, part of which it did by bringing power to well over 99 per cent of its potential customers, although many of them were remote. The constant battle against the weather requires very flexible systems of management.

The NSHEB serves a population of about 1.25m in an area of 21,000 sq miles north of a line joining the Clyde and Tay estuaries. The SSEB serves about 4m people over 8,000 sq miles.

The NSHEB fears that if it were put under a holding company along with the SSEB it would lose its autonomy, important decisions on investment and tariffs would be taken by the holding company, the shareholders would have no interest in the individual operating companies, staff morale would drop and the service to customers would decline as the management style became more centralised.

It would be the first step to the total integration of the two boards, the NSHEB fears.

Furthermore, it says that if the unusual status of the NSHEB had to be protected in a holding company by special clauses, that would deny the holding company control of its subsidiary and constitute an admission that the structure was unsatisfactory.

The NSHEB and Charterhouse, its financial adviser, believe that a stand-alone board would be viable as a company in its own right, with the higher cost of power supply to its customers, who pay the same tariff irrespective of where they live, being offset by the low cost of hydro power. However, they think some restructuring of the board's borrowing, amounting to £515m in 1986-87 compared with turnover of £324m, might be advisable.

The SSEB believes the creation of a holding company, which would in effect replace the Scottish Office as parent of the boards, is the best solution for privatising the Scottish electricity industry.

Its case is founded mainly on the fact that the structure of power supply in Scotland is already highly integrated. The two boards fund and operate their generating capacity jointly and they operate a single merit order for drawing power from the most efficient and appropriate plant at any time.

Thus the SSEB's Magnox and AGR nuclear plants meet the base load, its coal-fired stations meet heavy loads in the day, the NSHEB's hydro plants supply the peak loads and for heavy peak loads the NSHEB runs its two pumped storage stations.

The pumped storage stations take power from the nuclear and thermal plants at off-peak times to pump up water which is then released through the turbines when it is needed.

The SSEB argues that an arm's-length relationship between the two boards after privatisation would be impractical. It appears convinced that the autonomy of the individual boards would be preserved under this structure.

The NSHEB depends heavily on the SSEB's power stations to meet much of its needs. Hydro power accounts for only about 45 per cent of its requirements, most of the rest comes from the south, but it believes that some form of joint generating agreement would be compatible with separate privatision.

It also has a 1320Mw thermal power station at Peterhead. Only half of it is in commission and is used only on a standby basis but its existence means that on paper the NSHEB approaches self-sufficiency.

The two Scottish boards and their advisers have until the end of this month to make their formal submission to the Scottish Office on the best form of privatisation. Mr Rifkind is expected to make his own recommendations to the Cabinet about the end of the year.

The idea of privatising the two boards separately could have political attractions. It might give less offence to the Highlands, and avoid the charge that the holding company scheme amounts to the privatisation of the status quo.

The Scottish position might be affected by whatever decisions Mr Cecil Parkinson, Energy Secretary, decides to take for the rest of the UK industry.

If, for example, he decides that nuclear plants should be excluded from UK privatisation, the SSEB would be virtually dismembered. Such an idea is strongly opposed by the SSEB. Next year, with the full coming on stream of its new AGR station at Torness near Edinburgh, about 60 per cent of its generating needs will be met by nuclear power.

SCOTLAND SHOULD face much smaller increases in electricity prices next year than England and Wales, Mr Malcolm Rifkind, Scottish Secretary, said yesterday.

Mr Rifkind is making only a marginal increase in the financial targets for the two Scottish electricity boards for 1988-89. That is because, unlike England and Wales, Scotland will have no need for significant investment in new generating capacity for some time, he said in a parliamentary written answer.

The real rate of return on assets for the South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board is being raised from 2.7 per cent in 1987-88 to 2.8 per cent in 1988-89.

For England and Wales, Mr Cecil Parkinson, Energy Secretary, has increased the target from 2.75 per cent in this financial year to 3.74 per cent in the next and to 4.75 per cent in 1989-90. Electricity prices are expected to rise by 8 or 9 per cent in England next year and by 6 per cent the following year.

Mr Rifkind has not set a target for 1989-90 because he wants to see what output is achieved by the SSEB's new 1400MW Advanced Gas Cooled Reactor power station at Torness, now coming on stream. The completion of Torness will give the two Scottish boards about 40 per cent surplus capacity, compared with about 20 per cent at present.

The two boards, which achieved a rate of return of 2.8 per cent in 1986-87, raised their prices by an average of 3.3 per cent last September, the first increase for 18 months. There was no increase by the English boards at that time.

Drive launched to extend access to personal files

BY RICHARD EVANS

A CAMPAIGN to extend significantly the range of the Data Protection Act to cover all personal files has been launched as the legislation comes fully into effect today.

The Campaign for Freedom of Information gives a *qualified* welcome to the legislation, which has been implemented in stages during the past three years. From today, the final stage, everyone will have the legal right to see what is held on computer files about themselves.

But the continuing lack of legal access to manually compiled files was heavily criticised yesterday by Mr Des Wilson, co-chairman of the campaign.

"Our enthusiasm for these rights of access to files kept about us on computer is moderated by anger at the inconsistency that now exists between access to computerised and manually compiled files . . . it is an indefensible inconsistency - either the principle of access is accepted or it is not. The right of access should not be determined by chance," he said.

He said the Government was conceding the minimum level of access it could get away with. The nation was divided between first-class and second-class citizens depending on whether their files were computerised.

"The new rights are important and we are encouraging people to make full use of them, but they still fall far short of the kinds of access rights and safeguards that people are entitled to expect," said Mr Wilson.

Reaction to the legislation will be monitored carefully by Mr Eric Howe, Data Protection Registrar, and his staff based at Wilmslow, Cheshire. So far they are receiving an average of 30 complaints a month about the misuse or inaccuracy of personal information, and that might increase substantially now that the access provisions are in place.

From today, anyone will have the right to see personal information stored by government departments, local and health authorities, employers and commercial organisations. A maximum fee of £10 will be payable and up to 40 days allowed for the production of the information.

Copies of the register of data users and computer bureaux are held at Wilmslow and in main public libraries. They show the type of data held and where application should be made for a copy of personal records.

Among the more difficult areas are police records, where a code of conduct is being worked out; medical records, where access can be refused if a doctor judges that the information might damage a patient's health; and employers' files.

The rule of thumb, according to Mr Howe, is that any opinions about an employee's performance should be made available, but the intentions of managers about an employee's future need not be disclosed.

The registrar is mounting a £300,000 advertising campaign to ensure that the complexities of the legislation are explained in the coming weeks.

Small companies' shares battered

By Philip Coggan

THE THIRD Market index fell back below 100 last week for the first time since May, indicating the battering small companies' shares took in the wake of the stock market crash.

In the week after Black Monday, October 19, small-company shares held up quite well as investors focused on the largest, heavily traded stocks, the easiest to sell.

However, as the plunge continued, investors seeking cash liquidated small-company holdings. Those markets are so narrow that sellers accepted big markdowns.

Small companies also suffered because their shares traditionally outperform larger stocks in the last phase of a bull market.

Some so-called special-situation stocks had dramatic rises and traded on stratospheric price-earnings ratios.

For example, shares in Glentree, a north London estate agent, rose 25-fold between November flotation and August peak. Since Black Monday it has underperformed the FT All-Share index by 50 per cent.

The Datastream Unlisted Securities Market index, having outperformed the FT All-Share in the two weeks after Black Monday, has fallen more than 40 per cent since October 15, compared with a 33 per cent All-Share drop.

Figures issued yesterday by Credit Suisse Buckmaster & Moore showed that the Third Market index fell by 11.5 per cent last week, taking it below its base level to 98.5. The market was set up in January to draw companies too small to join either the USM or main market.

Nick Garnett analyses changes in the market for lifting vehicles

Forklifts carry a shifting burden

THE TEMPORARY fightback in the UK market by the so-called "counterbalance" lift truck - the standard vehicle most people recognise as a forklift - looks as if it is coming to an end.

The counterbalance - a truck with a large weight behind the driver to balance loads raised by the lifting mast - was once the workhorse for moving materials in factories. However, it has lost market share to specialist narrow-aisle vehicles such as reach-trucks, which are more suitable for modern systems of storing materials and components.

The counterbalance is still the most popular lifting vehicle and has been making something of a comeback, mainly because of a general re-equipping programme in British factories that has replaced many worn vehicles.

However, a report by the Corporate Intelligence Group, the London analyst of markets for heavy machinery, says demand for the counterbalance is falling and will continue to do so, at least until the early 1990s.

That might make it tougher for some lift truck importers, in particular the Japanese and some European companies such as Fiat, which are strong in the counterbalance rather than narrow-aisle vehicles.

In 1979, a total of 17,500 lift trucks were sold in the UK, of which some 15,000 were counterbalance. During the next three years, the market declined to 8,900 unit sales by 1982.

Standard forklifts
UK market share, 1986

	Units
Lansing	1,700
Hyster	1,400
Yale	1,000
Caterpillar	900
Kalmar Climax	750
Clark	550
Nissan	550
Others	2,250
Total	9,100

Source: The Corporate Intelligence Group

Sales of narrow-aisle machines slipped only marginally to 2,100 units. However, counterbalance sales tumbled by more than half to 6,800, the report states.

Sales of the counterbalance vehicles perked up to 10,000 units in 1985, compared with 3,900 for the narrow-aisle. Corporate Intelligence estimates that counterbalance sales had a temporary fall again last year to 9,100 units, but estimates that it will rise to about 9,500 this year.

The report predicts a steep decline in counterbalance sales to 8,000 by 1989, however, with some recovery possible only at the turn of the decade. Narrow-aisle vehicles will expand from an estimated 4,400 unit sales last year to 4,800 by 1991.

The wild swings in the market have not had the serious consequences for British-based lift truck manufacturing that some once predicted.

Many plants have big export markets and the eight companies that manufacture or assemble lift trucks in the UK are big net exporters. Total UK production of lift trucks last year is estimated by Corporate Intelligence as 23,300.

The jostle for market share continues. During the past 18 months, Kalmar of Sweden has purchased Coventry Climax. The new company, Kalmar Climax, has recently spent £2m on production machinery that Coventry Climax had lacked.

LancerBoss bought SAM Fenwick in Spain this year. It has also signed deals to make lift trucks for Komatsu and Nissan at its UK plant. Some of that manufacturing will also be done by Steinbok in West Germany, the forklift maker LancerBoss purchased.

Lansing is in the middle of a £14m reinvestment programme, mainly at its Basingstoke plant, while Caterpillar of the US, which assembles lift trucks in Leicester, has recently introduced a new range of reach-trucks.

Hyster of the US appears to have overcome the difficulties it experienced last year with automated production equipment at its plant in Irvine, Scotland. However, its public image suffered when it announced the closure this year of its plant in Ireland.

Industrial Forklift Trucks, UK. The Corporate Intelligence Group, 78 St Martin's Lane, London WC2N 4AA. £750.

Unit trust opportunities to be widened

By Eric Short

THE FINAL moves to widen unit trust investment opportunities were made yesterday with the publication of draft regulations for new types of authorised unit trusts.

They set out investment and borrowing powers for three new types of funds - investment in property, futures, options and commodities and in mixed investments within the same fund.

The regulations set strict limits for the various types of investment. They seek to ensure an adequate liquidity level and a wide spread to minimise risk.

The regulations were drawn up after consultation with the unit trust industry and contain no surprises.

They represent the Government's plans, first announced in August 1986, to expand the investment operations of unit trusts beyond the traditional equity and fixed interest sectors.

Comments to the Department of Trade and Industry are invited by January 8.

Travel agents issue plea against holiday price war

BY DAVID CHURCHILL IN INNSBRUCK

BRITAIN'S TRAVEL agents yesterday warned package tour operators not to embark on a costly price war.

The warning was delivered by Mr Jack Smith, president of the Association of British Travel Agents, in his keynote speech to the body's annual conference held in Innsbruck.

It followed the £18m package of price cuts announced this week by Thomson Holidays.

Other tour operators have so far not followed the Thomson move. But they are worried that if demand for next summer's holidays does not pick up over the next few weeks, they may be forced to offer discounts so as to stimulate sales.

Mr Smith told delegates: "Full-blooded discount wars, airline seats at £45 and holidays at £79 are no good for anybody in the long term."

He added: "It would be sheer madness to go down the underpriced discount road, where the insatiable appetite for growth and market share replaces sound common sense."

Travel agents are especially worried by the prospect of a new price war.

Figures released at the conference yesterday show that travel agents' income from package holidays dropped by 9 per cent over the past year.

Most travel agents, moreover, had an annual income of under £300,000. A turnover of £500,000 is generally considered to be the minimum level.

With more than 7,000 retail travel agents in the UK, many in the travel trade believe there is not enough business to go round.

Travel agents are also worried that the emphasis on price in recent years has led people to regard all package holidays as cheap.

Leading travel agency chains remain hopeful that the immediate effect of the constant price cuts will be to boost sales over the next few weeks.

● The travel trade is pressing the Government to allow unlimited night flights from Gatwick Airport for the new generation of "quiet" aircraft.

Information technology 'may not benefit business'

BY ALAN CANE

COMPANIES that invest heavily in computers and information technology do not necessarily gain business advantage and may indeed prejudice their business performance.

That conclusion, from a survey by the Kobler Unit at Imperial College, London, underlines the general trend of a series of studies carried out in the past few weeks. This shows that UK companies are still failing to make effective strategic use of, or apply quality control to, their investment in information technology.

A survey by EDS and The Economist suggested that 80 per cent of UK financial institutions felt disappointed by the results of their investment in IT.

Business Computing & Communications, an IT journal, found that most UK companies paid little or no attention to the quality of the IT services they offered their "customers," that is, company executives who depend on computer-based information for strategic decisions.

The Kobler Unit study, based on a small sample of companies, found no simple relationship between IT investment and competitive performance.

The report says: "Investing in IT will not guarantee business success. The amount of money invested in IT bears no relation to a company's business performance and large-scale IT investments can slow a company down and hamper its profit performance."

Almost half the companies surveyed admitted they believed their return on capital employed in buying IT was below average although a third admitted they had no simple way of defining the return in IT terms.

Market leaders, the study says, have an IT investment policy based on a corporate IT strategy aligned to the general business aims of the company.

Does Information Technology Slow You Down? Kobler Unit, Imperial College, 180 Queens Gate, London SW7 2BZ. £15.

Peter Robinson: Prescribing Sinn Fein 'obvious and logical step'

E Belfast MP calls for Sinn Fein ban

BY TOM LYNCH

MRS MARGARET THATCHER, the Prime Minister, and Mr Neil Kinnock, the leader of the Opposition, united yesterday in condemning the presence in Ulster council chambers of members of Sinn Fein, the political wing of the Provisional IRA.

During Question Time exchanges, Mrs Thatcher did not directly reject a demand from Mr Peter Robinson (DUP, Belfast East) that Sinn Fein should be proscribed. However, it is believed that the Government does not consider such a ban to be a viable option in the immediate future.

Mr Robinson said proscribing Sinn Fein was "the obvious and logical step" in a situation where "Unionist councillors and others have to sit down with the representatives of the Provisional IRA" in the wake of the IRA massacre of 11 people in Enniskillen on Sunday.

Mr Kinnock told MPs: "Those who pursue the so-called joint strategy of the ballot and the bullet are guilty of both hypocrisy and complete incompatibility in a democracy."

Mrs Thatcher said she was "concerned" at the presence of Sinn Fein members on councils. Proscription of a number of organisations, including Sinn Fein and the Ulster Defence Association, was kept under review.

However, she said, a ban would be "a blanket measure" which would go further than the specific problem, and the Government would wait for responses to a discussion paper published last month before making any decisions. Ministers are known to feel that proscription of Sinn Fein would drive it, along with its followers, underground.

She told Mr Kinnock that she did not expect to meet Mr Charles Haughey, the Irish Prime Minister, except "at the margins" of next month's European Council meeting.

The Government is known to be increasing the pressure on the Irish Government to ratify the European Convention on the Prevention of Terrorism by December 1.

Irish ministers are attempting to extract concessions from the UK on the non-jury Diplock courts, which try terrorist cases in Northern Ireland.

The atmosphere of consensus - yesterday's Question Time was distinguished by the absence of the usual confrontation between Mr Kinnock and the Prime Minister - was broken by Sir Giles Shaw (C, Pudsey), a former Northern Ireland minister, who said: "The unity of condemnation should be followed with unity of purpose.

Parkinson dismisses attack by Prescott

By Peter Riddell, Political Editor

MR CECIL PARKINSON, Energy Secretary, yesterday dismissed as misleading criticisms of the proposed electricity price increase made by Mr John Prescott, his Labour shadow.

This provoked an immediate strong response from Mr Prescott who said what was needed was facts and not petulance and rhetoric.

Replying to a letter on Monday from Mr Prescott, Mr Parkinson defended his justification for the price rise next April on the grounds of the need for extra investment.

He said his facts had been rechecked and he could "only imagine that the person who persuaded you (Mr Prescott) that depreciating an existing asset is the same thing as providing for a future acquisition, is also the person who advised you to add the proposed electricity price increase to the proposed electricity supply industry negative external financing limit, and to claim that the resulting amount represented the charge on that industry. Both these assertions are financial and accounting nonsense."

Mr Prescott last night issued a point-by-point challenge to Mr Parkinson, saying his original charges on pricing and rates of return had not been answered. He said, for example, that the depreciation fund is used for renewing investment.

Mr Parkinson concluded his letter sharply with the hope that in future Mr Prescott would "be more careful about signing letters, drafted for you by others, which you quite clearly do not understand".

Shipping Bill

A BILL strengthening shipping rules after the Zeebrugge ferry disaster was given its second reading in the Lords last night, despite protests at plans to imprison owners of unseaworthy vessels.

The Marchant Shipping Bill places responsibility on owners to take "all reasonable steps to secure that the ship is operated in a safe manner".

MPs face new curb on researchers

BY IVOR OWEN

NEW restrictions may be imposed on the number of research assistants engaged by MPs at Westminster following the controversey over the removal of the pass giving access to the Commons to Mr Ronan Bennett who is employed by Mr Jeremy Corbyn (Lab, Islington N).

Mr Bennett, whose conviction of murdering an inspector in the Royal Ulster Constabulary in 1975 was overturned on appeal, was said by Mr Corbyn to have been "cleared by every court at every level in the land".

An attempt by Labour backbenchers, headed by Mr Tony Benn, MP for Chesterfield, to secure the immediate restoration of Mr Bennett's pass was defeated by a majority of 231 (274-43).

MPs then went on to approve a proposal by Mr Cranley Onslow, MP for Woking and chairman of the 1922 Committee of Conservative backbenchers, that consideration should be given to reducing the number of research assistants with access to the precincts of the House "bearing in mind the pressure on the capacity of the facilities of the House."

Earlier Mr Frank Dobson, Labour's shadow Leader of the House, accused the security services of "fingering" Mr Bennett by disclosing an adverse report about him to the News of the World.

Calling for for an inquiry into the "leak" by the security services, he said it should be carried out either by the Speaker and the Lord Chancellor as a matter falling within their responsibilities for the Palace of Westminster, or by the Prime Minister as head of the security services.

To Labour cheers, Mr Dobson insisted that the findings of the inquiry should be reported to the House and whoever was found to be responsible for the leak dismissed from the public service.

He maintained that as Mr Peter Wright, the former MI5 agent, had been pursued through the courts by the Government for breaking his oath of confidentiality by publishing the book, Spycatcher, the member, or members, of the security service responsible for leaking the information about Mr Bennett must have been under a similar obligation.

Mr Dobson argued that the existing arrangements under which the final decision on an adverse report on an individual whom the security services recommended should not be issued with a pass giving access to the Commons rested with the Speaker placed him in an invidious position.

A change of procedure was needed which would result in any adverse report on a research assistant or secretary being referred to the MP concerned who, if he decided against terminating the appointment, could then appeal to a small committee of MPs to whom the evidence justifying the recommendation to withdraw the pass would be submitted.

Mr Dobson claimed that the principles on which the decision to appoint an advisory committee on security was based had never been properly considered - a task which should be undertaken by the Committee of Privileges - while the practicalites involved should be the subject of further consideration by the services committee.

Mr John Wakeham, the Leader of the House, explained that the security checks undertaken by the police covered all persons to whom passes according access to the Palace of Westminster were granted.

They were not in the same category as the "vetting" procedures applied to civil servants and others involved in matters of national security, and related to "material bearing on the level of risk to the safety of the House and the people in it."

Mr Wakeham insisted that there was no question of any interference on security grounds with an MP's right to employ whom he chose as research assistant or secretary.

Backed by government cheers, he said: "What is at issue is the prudent control over the privilege of free, unescorted access to these buildings".

Mr Wakeham stressed that he did not know the content of the report made about Mr Bennett and, to further government cheers, contended that in any event its content should not be made public because of the need to preserve the confidentiality of the source of the information.

Mr Corbyn emphasised that there was no criminal charge against Mr Bennett and that he had no criminal record.

The manner in which he had been deprived of his pass to the Commons meant that he had been "condemned without charge or hearing."

Mr Corbyn complained that if the decision against Mr Bennett were allowed to stand the obvious message to those outside would be "that I am somehow or other unacceptable to this place."

The debate sparked into anger when Mr Nicholas Bennett (C, Pembroke) asked Mr Corbyn whether Mr Bennett had been "a known associate of the IRA." As Labour MPs protested and Mr Corbyn demanded the source of his information, Mr Bennett told MPs: "All the information we have is that he is."

He said it would be wrong for "known supporters of the IRA" to have access to MPs' offices around the Palace of Westminster.

Fears over possible Nato arms build-up

By Tom Lynch

OPPOSITION MPs expressed concern in the Commons yesterday that "compensatory adjustments" to Nato nuclear forces after the hoped-for US-Soviet treaty to eliminate land-based intermediate nuclear forces (INF), might lead to a build-up in sea-launched and air-launched weapons.

Mr Denzil Davies, the shadow Defence Secretary, said cruise missiles had been deployed in the UK in response to the Soviet SS-20s. The Soviet Union was now set, under the INF deal, to give up three times as many weapons as the West, and there would be no gap in Nato forces. "Can we take it that we will hear no more nonsense about compensatory adjustments?"

Mr George Younger, the Defence Secretary, told him that Nato had agreed at Montebello two years ago to modernise its nuclear weapons, a process that was half-complete and would be seen through. Once an INF deal was reached "it will be a quite normal and natural matter for Nato to look at its weapons systems that are left and ensure they are coherent."

He said the objective of the arms reduction process was to cut "the number of nuclear weapons on the ground in Europe".

Mr Paddy Ashdown, for the Liberals, asked for an assurance that new air and sea-launched missiles would not result in there being more weapons overall.

Mr Ian Stewart, the Armed Forces Minister, said the Government's intention was that the deal should result in fewer nuclear weapons in Europe. "It is always necessary for us to deploy our assets, whether conventional or nuclear, in the way that is most effective for our own defence. We will continue to do that in the light of changing circumstances, including arms control."

Lord Hailsham: advantages in new system of government

Government trend welcomed

BY PETER RIDDELL, POLITICAL EDITOR

THE proliferation of ad hoc groups of ministers chaired by the Prime Minister to deal with particular problems was last night highlighted, and generally welcomed, by Lord Hailsham, the former Lord Chancellor, in the Granada Guildhall lecture given in the City.

In an address which tackled the subject of Cabinet government and its chances of survival, Lord Hailsham noted the increasing habit of successive Prime Ministers to summon groups of ministers under their own chairmanship to deal with particular issues outside the formal Cabinet committee structure, "thus prejudging discussion in Cabinet and avoiding the necessity for the regular attendance by junior ministers at the main Cabinet committees.

"The fact that there have now been very much more than a hundred of these with the same generic but separate numeration shows that we are in the presence of a semi-permanent and novel development in Cabinet government."

Lord Hailsham said this new system had manifest advantages, by, for example, "being constitutionally vastly superior to the so-called kitchen cabinets which is said to have become a notorious peculiarity of some Labour administrations. It is flexible, confined to senior ministers and presents an easy and convenient method of disposing of day to day business not requiring the presence of large numbers".

He argued that it was among the factors which have rendered it possible to hold just one single weekly meeting of the Cabinet and avoid two, at times inconclusive, discussions a week between ministers not always well acquainted with the detailed matters under debate.

Lord Hailsham noted, however, that the collegiate character of the Cabinet had to some extent been weakened by less frequent meetings and less personal involvement in many of the important decisions of government.

The frequent participation of the Prime Minister in the chair of the ad hoc meetings will, he acknowledged, have strengthened his or her position, at the expense of the collegiate responsibility of the full Cabinet.

He said these small groups to some extent favoured "rapid and not always well-thought-out decisions".

More generally, Lord Hailsham pointed to the absence of technical training received by ministers so that there remains a government of amateurs. He suggested that, on appointment, ministers should receive a short course on ministerial practice, staff duties and collegiate responsibilities. "Some, at least, of recent resignations might thus have been avoided."

Licensing Bill wins backing

By Tom Lynch

THE GOVERNMENT had a massive Commons majority of 206 (293-87) on the bill reforming licensing hours in England and Wales, after critics protested that drinking hours were being relaxed without corresponding action to tackle alcohol abuse.

The Licensing Bill will allow pubs and hotel bars to open from 11am to 11pm from Mondays to Saturdays, abolishing the compulsory afternoon closing period, which Mr Douglas Hurd, the Home Secretary, described as an historic anomaly. The bill would generate "significant additional employment" - the British Tourist Authority had estimated 50,000 extra part-time jobs.

Several Labour MPs led by Mr Roy Hattersley, the shadow Home Secretary, urged MPs to vote against the bill. They were joined in the "no" lobby by Sir Bernard Braine (C, Castle Point), a former chairman of the National Council on Alcoholism.

Maclennan hits out at Owenite faction

BY OUR POLITICAL EDITOR

MR ROBERT MACLENNAN, the leader of the Social Democratic Party, has accused supporters of Dr David Owen, his predecessor, of morally unacceptable tactics leading to intemperate factionalism.

Addressing a party meeting in Salisbury, Wilts, Mr Maclennan carefully aimed his appeal for an end to in-fighting at both the strong backers of a merger with the Liberals and the opponents associated with Dr Owen in the Campaign for Social Democracy, though his main fire was aimed at the latter.

He said the tactics of unequivocal hostilities were wrong because there was no guarantee that the talks would succeed and because "if factions within the SDP start a cat fight, we will destroy ourselves and lose all credibility with the electorate".

His comments reflect the degree of internal bitterness which has developed within the SDP between the rival groups, with Mr Maclennan, an original sceptic about merger, attempting to be a reconciler, but increasingly irritated by the approach of Dr Owen's allies.

He said he was "cautiously optimistic" about the negotiations. He said the talks had already made progress so that "the new party will not be swamped by unrepresentative activists making policy with which the majority of its membership disagrees, as happened at the Liberal Assembly in Eastbourne".

In remarks clearly aimed at Dr Owen, he said, "the theory that the way to win the hearts and minds of the British people is to surround ourselves with a small group of people who see eye to eye with us 100 per cent on every issue is not only undemocratic, it also shows a deep lack of self-confidence in our ability to convince others".

Mr Maclennan laid particular stress on the joint policy prospectus, whose contents he will flesh out between now and Christmas with Mr David Steel,

Little daylight in a murky sector

PARLIAMENTARY SKETCH

THE NAMES of Sarah Tisdale, Clive Ponting and (inevitably) Peter Wright were called in evidence yesterday by Labour MP Harry Cohen when he presented to the Commons a 10-minute rule bill to give people greater access to data kept on them by various official bodies.

It set the tone for what was to follow when MPs once again descended into the murky world of security matters. On this occasion - in the shadow of the Enniskillen bombing - they were discussing security at the Palace of Westminster.

In particular they were debating the withdrawal of the parliamentary pass held by Ronan Bennett, researcher for left-wing Labour MP Jeremy Corbyn. As Frank Dobson, Labour's shadow Leader of the House, explained, Mr Bennett was convicted of the murder of an RUC inspector by a single-judge court in Northern Ireland 12 years ago and later had the verdict quashed by the Court of Appeal.

The point at issue was whether Mr Bernard Weatherill, the Speaker, was right to withdraw the pass on the advice of the security service.

Members who tried to press for details of how this decision was arrived at found themselves in a familiar Catch 22 situation. As confidentiality has to be maintained at all costs the information cannot be divulged without imperilling the operations of the cloak-and-dagger boys.

On the other hand strong action is necessary to protect the safety of MPs and ministers in these days of widespread terrorist operations. Once again MPs seemed to be lost in the midst of operation night and fog.

Even the best efforts of some of the shrewdest masters of procedure on the Labour back benches failed to throw any light on the exact nature of the allegations against Mr Bennett. It was all very curious, said Ron Leighton. The Speaker had said he did not know the details and Mr John Wakeham, Leader of the House, had taken the same line. It was highly unsatisfactory.

Dale Campbell-Savours tried to press it further. Could the Speaker confirm that he had no details of the allegations?

"This is for the House to debate," said the Speaker firmly. "I have nothing further to say on this matter."

Mr Wakeham was also a model of discretion, rather like one of those old family retainers who knows all the family secrets but will never divulge them. The decision was taken by the Speaker and the advice he was given must remain confidential. Had not the great Speaker Lenthall laid down in the 17th century that the holder of that office was the servant of the House?

As usual on these occasions the House found itself diverted into some byways. Tory MP Barry Field suggested that the Commons should abolish "those political parasites", the political researchers who now proliferate at Westminster. These enthusiastic youngsters, many of them drawn from the campuses of American universities, seem to have become a status symbol for some members.

He found an ally on the Labour benches in the shape of the bearded actor-MP Andrew Faulds who had used the services of some of these "foreigners" and did not think much of them.

Wasn't it even more surprising, asked Mr Faulds, that Mr Corbyn had seen fit to appoint Mr Bennett researcher in the first place. Mr Corbyn, who was sitting directly in front of him, did not turn a hair at this hostile thrust.

There was also a moment of irony when Rupert Allason rose from the Tory benches to plead the case for confidentiality in security matters. Mr Allason is better known as Nigel West, the writer of well-informed books on the security services.

"Well they tell you everything," protested Labour MP Martin Flannery.

Left-winger Tony Benn who had his own amendment on the order paper with Corbyn and others, was soon in full flood. He argued that to vet researchers was, by implication, subjecting MPs themselves to an official vetting procedure. Always a lover of ancient precedent, he seemed to regard it as the biggest threat to the liberty and independence of MPs since Charles I came to arrest the five members.

But then, as he pointed out, he had known what it was like to be expelled from the Commons when he tried to take his seat as Viscount Stansgate before the battle to renounce his hereditary title.

John Hunt

"Does he really know about savings?" a girl whispered to Arthur. "Heavens no!" Arthur exclaimed. "He's never made a penny in all his life."

They Laughed When I Said I Saved With A Bank – But When I Explained Special Reserve!...

ARTHUR had just explained the benefits of the way in which he looked after his savings. The room rang with applause. I decided this would be a dramatic moment to make my revelation. To the amazement of all my friends, I confidently stood up and produced a Special Reserve leaflet from my cummerbund.

"Jack is up to his old tricks," chuckled the vicar. The crowd laughed. They were all certain that I hadn't a clue about savings accounts.

"Does he really know about savings?" a girl whispered to Arthur.

"Heavens no!" Arthur exclaimed. "He's never made a penny in all his life . . . But just you watch him. This is going to be good."

Making the most of the situation I unfolded the leaflet with mock dignity, and perched my glasses on the end of my nose, just as the Judge did when he wanted to appear particularly grave.

"What do you think of his deportment?" cried Miss Belcher from the rear.

"We're in favour of it!" came the reply, and the crowd rocked with laughter.

Then I Started to Explain

A tense silence descended on all the guests. The laughter died on their lips as I began to explain.

"There are many savings accounts that give you a high rate of interest. But this one is from a bank," I began, holding aloft the Special Reserve leaflet.

"If you have at least £2,000 deposited it will currently earn six and one eighth per cent net. Payable quarterly.

"Above £10,000 the rate goes up to six and a quarter per cent. Net."

Modestly, I have to confess that my audience appeared impressed.

"But you've got to be able to call on your reserves instantly!" barked the Major. "First rule of battle and all that."

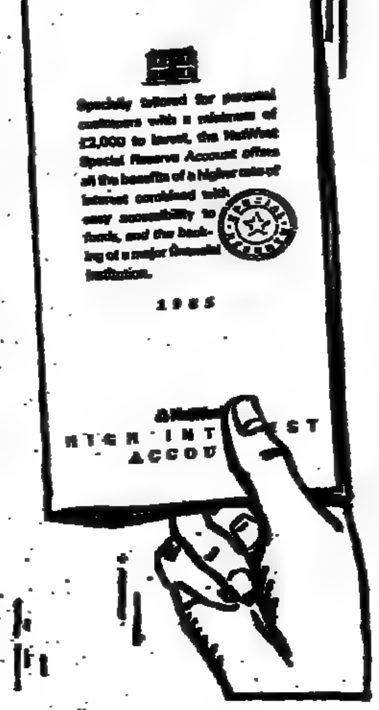
Miss Willikins giggled, certain that I had met my match.

"Allow me to continue," I replied, warming to my theme. "The beauty of this account is that provided the amount is £250 or more, one can make a withdrawal or a transfer instantly. With no loss of interest."

The silence that followed was broken only by the tinkle of the Major's monocle as it fell into his brandy glass.

"What's more," I continued, pressing home my advantage, "because Special Reserve is a *bank* account, you can transfer funds to and from your Current Account with a simple telephone call. No more trudging back and forth to do it."

From a corner of my eye I spied Arthur, somewhat sheepishly trying to hide the holes in his brogues.



I spoke on, and as I spoke I forgot the people around me. I forgot the hour, the place, the breathless listeners. Only the Special Reserve account was real. Only the interest and other benefits it brought me. It seemed as if my bank manager himself was speaking through me!

A Complete Triumph

As the last words of my explanation died away, the room resounded with a sudden roar of applause. I found myself surrounded by excited faces.

How my friends carried on! Men shook my hand——wildly congratulated me——pounded me on the back in their *enthusiasm*.

Everybody was exclaiming with surprise, asking excited questions . . .

"Jack! Why didn't you tell us you were a financial wizard?" . . .

"Where *did* you learn?" . . . "Who *is* your accountant?"

"I simply don't have an accountant," I replied. "And just a short while ago I didn't know one interest rate from another."

"Stop your joshing," laughed Arthur, "you've been studying for years, I can tell."

"I have been studying only a short while," I insisted. "I decided to keep it a secret so I could surprise you all."

I decided to tell them the whole story.

How I Learned to Save Without Lessons from an Accountant

"Have you ever heard of the National Westminster Bank?" I asked.

"NatWest. Press for action and all that," harrumphed the Major.

"Exactly," I said. "They have a leaflet that can teach anyone how this account works in just a few moments." My leaflet arrived promptly and I began that very night to study it. "I was staggered to see how easy it was to save in this way."

"Bully for them!" cried Miss Belcher. How do I get one?"

"By happy coincidence," I answered, NatWest are currently publishing advertisements for Special Reserve in newspapers and periodical magazines. At the end of each one, there's a convenient coupon, or a telephone number allowing you to call free of charge."

At this point the scraping sound of chairs being pushed back filled the room.

"I say," demanded Arthur, "how late does your newsagent stay open?"

* * * *

"Please send me more information about the Special Reserve Account."

Name ______________________ SR/FT/2

(Please write plainly)

Address ______________________

____

______________ Postcode ______________

Send to:
Special Reserve Manager, National Westminster Bank PLC, FREEPOST, London EC2B 2ED

Or call free of charge 0800 282 702 Monday to Friday 8am to 8pm.

Interest rates may vary, but correct at time of going to press. Ask at your local branch for details of current rates.

NatWest The Action Bank

P R E S S F O R A C T I O N

Appointments Wanted

FCMA, Extensive Commercial and Industrial Experience

Available for assignments. Offers Consultancy, Financial and Business Management skills. West London Based

Tel: 0836 247 690 or
Write Box A0722, Financial Times
10 Cannon Street, London EC4P 4BY

MIDDLE EAST MARKETING AND SALES

International Marketing and Sales director experienced in financial retail products and services with multinationals. MBA from the US. Extensive experience in the Middle East and European Markets. Fluent in Arabic, French, English and Greek. EEC National. Age 30. Seeks challenging senior position with dynamic international company.

Please reply to Box [illegible], Financial Times, 10 Cannon Street, London EC4P 4BY.

INTERNATIONAL COMPANIES & FINANCE

John Elliott on how Indian industrial families are taking over British assets

Steady decline of the corporate Raj

INDIA'S leading industrial families are celebrating their country's 40th anniversary of independence from Britain by taking control of some of their former ruler's large, but often declining, corporate assets.

Ashok Leyland, a truck and bus offshoot of the Rover Group, is the latest to go, with the Indian-born Hinduja business family, based in London, gaining a controlling stake in partnership with Fiat Iveco of Italy for between £28m and £30m ($50m-53m).

Parts of Britain's Chloride, GKN, GEC, Davy, and Fenner investments have also gone during the past few months, in the biggest shedding of UK industrial ownership and control seen in India for many years. Offshoots of Dunlop, one of India's 40 largest companies, Metal Box and Thorn EMI went earlier.

Not all have been totally sold off. But all the British owners have brought in Indian entrepreneurs, mostly members either of India's new business class of non-resident Indians, such as the Hindujas, or the often unscrupulously ambitious Marwari business caste.

Such businessmen are unlikely always to be content to play the role of minority or even equal partners. One or two British companies are already experiencing problems, and are alleging unauthorised switching of assets between companies.

New methods of offshore funding, in which Merrill Lynch of the US is specialising, have been developed to get round restrictions on resident Indian businessmen accumulating wealth abroad or using their domestic currency to buy foreign-held industrial assets.

The Marwaris came originally from the tough western desert state of Rajasthan and worked their way, partly as bankers to Mughal kings and the British Raj, up to their present position at the top of India's industrial ladder. They include the Birla, Goenka, Singhania and Modi families among India's top 10 industrial family groups.

In addition to the controversial Hinduja family, the non-resident Indians include Mr Manu Chhabria, who has bought into Dunlop, Shaw Wallace and other companies. These Indians live outside the country and enjoy a number of investment and tax privileges in India, including the freedom to mobilise foreign funds.

Having made their money abroad, they have started to be drawn back to India by a mixture of genuine patriotism and attractive tax and other concessions, plus, in many cases, the potential for laundering and making more black money.

Companies like Dunlop, Metal Box and Chloride have lots of assets to shed, which are often undervalued threefold. "Look at their big old mansion houses here, and their other vast under-used properties," says an executive of one multinational in Calcutta, India's former capital, where many of the old companies are based.

"The amount the Marwaris and others are prepared to pay for a share in a company depends on how much managerial freedom they will have to do the stripping."

Behind all the disposals lies an evacuation craze which means that Indian businessmen now assume that virtually all British companies in India, apart from those with pharmaceutical interests, such as Glaxo, Wellcome and Boots, are potential takeover targets. Repeated denials from large and profitable offshoots of BAT, ICI, Beechams, and others only temporarily dampen the rumours - although there are no further immediate sales in prospect after Ashok Leyland.

This is the fourth phase of Britain's pull-out. The first was in the late 1940s with independence. The second and third came in the 1960s and 1970s when many tea companies disinvested, along with other businesses which did not like India's Foreign Exchange Registration Act of 1973. This Act set a ceiling of 40 per cent for most foreign shareholdings, with higher levels being permitted for high-technology and export-oriented businesses.

A few foreign-owned companies - such as Canadian Alcan's Indian Aluminium (Indal) and pharmaceutical businesses from the US and Europe - are still adjusting their holdings in line with this Act.

But all the recent UK sales are taking place for other reasons. Most of them arise from a lack of British finance, management time, and the general optimism and enthusiasm needed to operate profitably in India's difficult business environment, which includes some restrictions on repatriating funds. Bringing Indian entrepreneurs and finance into these and other companies is also sometimes a logical corollary to the UK's own recession-induced industrial shake-out.

Mr R. P. Goenka, who started the latest phase in 1984 by moving into Dunlop with Mr Chhabria, and then into Thorn EMI's Gramophone company, joked at the time that he had a "liking for neglected British companies." Metal Box and GKW, both heavy lossmakers which were defying recovery hopes, also fall into the "neglected" category.

In some cases, the parent companies are no longer in the businesses of their Indian offspring - GKN for example has little interest in GKW's steel and fastener business.

Rover Group had sold its truck and bus interests to Daf of Holland, so it no longer had a natural affinity with the profitable business of Ashok Leyland, where the Hinduja family has now agreed to take all of its 39 per cent stake, plus a 51 per cent stake in an allied company, Ennore Foundries.

Other companies, such as Fenner and Davy this year, as well as GKW and Dunlop earlier, feel the need for an injection of Indian entrepreneurial flair and managerial experience, often accompanied by finance for modernisation.

Even cash-rich GEC, which has always denied it would sell any of its 67 per cent stakes in its two companies, GEC India and English Electric, has joined the trend. It has approved the disposal of three quarters of GEC India's 33 per cent stake in Genelec, a lighting company, to raise Rs56m ($4.3m) for expanding GEC India's main electrical business. GEC in the UK was persuaded by its Indian management that this was preferable to the problem of sending funds out from the UK, or raising loans at about 18 per cent interest in India.

There is no immediately apparent Indian industrial logic at Chloride, a profitable and well-run Indian company, where the UK parent is selling half its 50.7 per cent holding to raise £18.2m for technological investment at home.

The funds are being organised internationally by Merrill Lynch, which has experience of finding international investors for India. It is promoting Mr S. K. Birla, one of the lesser-known members of the large Birla industrial family, as a key figure in the deal. Mr Birla will be taking a 5 to 10 per cent stake and has become chairman of Chloride India, which will be part of Chloride Eastern Industrial, to be floated in Singapore.

This method of funding through an offshore deal provides quick cash for the British company, as well as circumventing the Indian Government's general disapproval of Indian businessmen using rupees to buy foreign exchange for such deals. In a few early deals, Indian businessmen used other, sometimes secret, foreign associates to pay the British companies. But such deals have become the subject of close government scrutiny.

When goverment approval is occasionally granted - for example it is expected soon for a 7.5 per cent stake in GKW being purchased from GKN by Mr K. K. Birla - the Government fixes the purchase price at a far lower figure than would be available overseas.

Mr Rahul Bajaj, the runner-up for Ashok Leyland and one of the most respected younger Marwari industrialists, was virtually told he would not receive government permission to use rupees for his bid. So he followed the Chloride-S. K. Birla route with Merrill Lynch, which organised international financial institutions and underwrote his bid of about £25m to £28m.

Mr Bajaj is believed to have lost, partly because Ashok Leyland's existing top Indian management supported the bid from Hinduja-Fiat Iveco, a partnership which was thought more likely to keep them in their jobs.

Problems are beginning to arise on some of the deals. Mr B. M. Khaitan, the Calcutta businessman who controls Macneill and Magor, has run into difficulties trying to turn round Metal Box India, and there have been similar problems at Gramophone. "It takes time to change the 'we're all right Jack' ethos, the assumption that products will just sell," says Mr Khaitan.

At Dunlop there is a clash over managerial authority and control between Mr R. P. Goenka and Mr Chhabria, and an expected handing over of Dunlop's remaining 30 per cent holding has not taken place. Mr Goenka is also being taken to court by Goodricke of the UK, which has a 20 per cent interest in his main Duncan Bros company following earlier disinvestments. Goodricke alleges - and Mr Goenka denies - that assets have been illegally stripped out of Duncan into other Goenka family holdings.

Minority shareholders are also beginning to scrutinise sales in detail, and opposition politicians are looking for possible corrupt deals. Shareholders raised a major row over the Genelec sale to the Modi family because they felt it was designed to escape various government controls, which made them lose out because of falling share prices when the deal was struck.

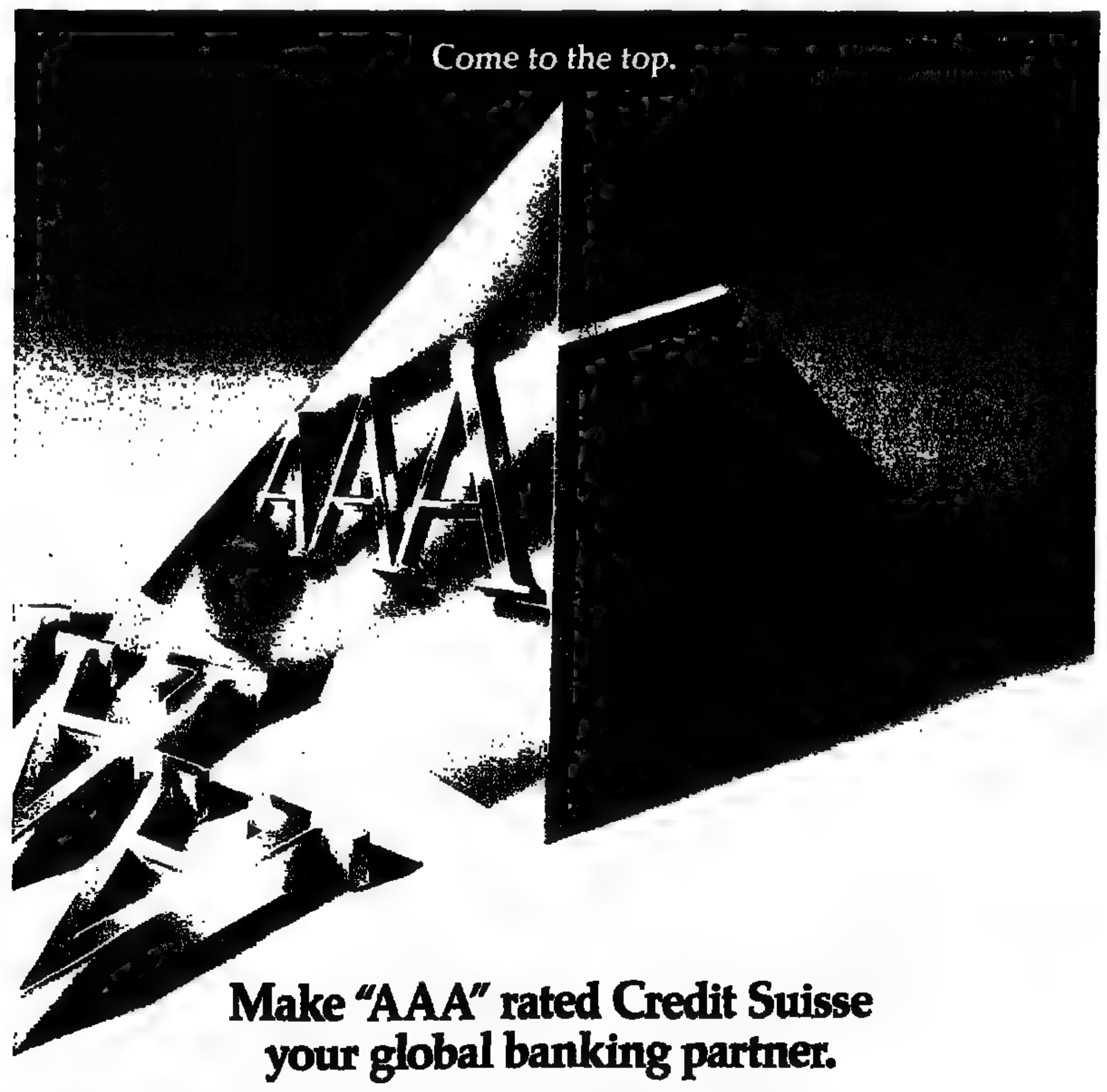
In another case, a Marwari family concerned is privately accused of delaying a deal while it talked down the British offshoot's share price so as to reduce the cost of its asset-rich acquisition.

But whether for asset-stripping, or long-term industrial growth, or both, it is clear that the Indian businessmen rate Britain's old industrial assets far more highly than do the UK owners, who are moving out just as India is attracting a rush of new financial and technical joint ventures from other countries.

MAJOR BRITISH ASSETS CHANGING HANDS

Company	Sales Rs bn	UK owner	%	Buyer	%	Date
Dunlop	3.77	BTR	40	Chhabria/Goenka	10	Dec 84
Shaw Wallace	1.74	Sime Darby	38.7	Chhabria	38.7	Jan 85
Gramophone*	0.17	Thorn-EMI	38	Goenka	15	Sep 85
Metal Box*	1.30	Metal Box	40	Macneill & Magor	10-15	Feb 86
Davy Ashmore*	0.21	Davy	40	Tata	24	Mar 87
Guest Keen Williams	2.13	GKN	47.5	K. K. Birla	7.5	May 87
Mather & Platt	0.36	Mather & Platt	60	Chhabria	60	Jun 87
Chloride	1.00	Chloride	50.7	S. K. Birla	5-10	Jul 87
Genelec	0.75	GEC	33	K. K. Modi	24.9	Aug 87
Fenner*	0.48	Fenner/Coats V.	40/24.7	S. K. Singhania	30	Sep 87
Ashok Leyland	3.92	Rover Group	39	Hinduja	39	Oct 87

* Lossmaking



APPOINTMENTS

Commodities company reorganisation

Following the formation of a joint company between the Group Sucres et Denrees and the Group Kuok, and the return to Paris of **Monsieur Claude Semach**, having completed his planned five-year stay in London, it has been decided to reorganise the group's London operations. SUCDEN (UK) will be primarily responsible for activities on the futures markets. **Mr Derek Whiting** has been appointed chairman and **Monsieur Jacques Bachelier** becomes vice chairman, with **Mr Martin Emery** and **Mr Michael Overlander** as managing directors. Also on the board are **Mr John Botterill**, **Mesdames Danielle Dubarry** and **Suzanne Pecker**, and **Monsieur Antoine Touton**. Comfin Holdings will, subject to statutory approval, be renamed Comfin Trading, and will be involved in the trading and brokerage of physical sugar. Mr Whiting continues as chairman, and Mr Botterill and Mr Emery have been appointed managing directors. The other directors are Mde Dubarry, Mr Overlander and **Mr Robin Shaw**. Comfin (Cocoa & Coffee) will continue to be involved in the trade of physical cocoa and coffee. M. Touton has been appointed chairman, and **Mr Alexander Cahursky** continues as managing director. The other directors are Mr Emery, **Monsieur Jean-Emmanuel Jourde**, **Monsieur Alexandre Turincev** and Mr Whiting.

*

Mr P.E.J. White, chief executive of WYKO GROUP, additionally becomes chairman on the retirement of **Mr Roger Edwards**, who becomes a non-executive member of the board.

*

BRITANNIA BUILDING SOCIETY has appointed **Mr Paul Mills** to the newly-created post of chief internal auditor. He was computer audit manager.

Yale and Valor makes changes

YALE AND VALOR has made a number of senior appointments. **Mr John Ellis** becomes divisional managing director of the water heating division, and a member of the group's UK executive committee. He is managing director of Heatrae Sadia Heating, to which a successor will be appointed. **Mr T.E. Hughes** becomes group financial controller. He was financial director of Dreamland, where he is succeeded by **Mr Philip Harley**, who was finance director and company secretary of Chloride Systems. **Mr John Fairs** has been appointed managing director of Yale Security Products. He was managing director of Tann International.

Mr Roger Leverton has been appointed a non-executive director of PARKER PEN. He is group chief executive of MK Electric group.

*

Following the merger between Sangamo Metering and Sangamo Controls, the parent SCHLUMBERGER GROUP has made three appointments. **Mr Phil Tempest** becomes general manager of the newly-constituted UK electricity division based at Felixstowe. He was at corporate headquarters in Paris. **Mr Tony Mahoney** has been promoted to divisional director of sales. He was marketing manager at Sangamo Metering. **Dr Charles Bow** is appointed divisional marketing manager. He was engineering manager with Sangamo Controls.

Mr Anthony Howland Jackson, deputy chairman and managing director of Hogg Robinson & Gardner Mountain

Mr Anthony Howland Jackson has been appointed a deputy chairman and managing director of HOGG ROBINSON & GARDNER MOUNTAIN. He was managing director of Bain Clarkson.

Following his resignation BAIN CLARKSON has appointed **Mr Michael D. Martin** as chairman of the UK division; **Mr Derek Prince** as chairman of the international division; **Mr David M. Berliand** as managing director of the international division, and chairman of the hull, liability and cargo divisions; **Mr Keith A. Chaplin** as chairman of energy and marine casualty division; and **Mr Colin D. Campbell** as chairman of the reinsurance division.

The HOGG ROBINSON GROUP has appointed **Mr Nick Shulman**, joint chairman of Anscombe and Ringland, as deputy chairman of its newly-formed property group. **Mr John Bryan**, a partner of Vernon and Sons, is to be its managing director. Both firms were acquired by Hogg Robinson last year.

Mr Jay Roseveare has been appointed operations director of Beaumont Health Care, and **Mr Barrie Davies** has been appointed finance director and company secretary of Barnsdale Properties. Both companies are members of the EGERTON TRUST group.

*

Mr Antony Winnington has joined ROYLE COMMUNICATIONS, a W.R.Royle Group subsidiary, as a director. He was an account group director at Hill & Knowlton.

*

M Stuart H. Walmsley has joined the worldwide equity department of MORGAN STANLEY. He is a leading UK chemicals analyst and joins in London after a six-month sabbatical following his resignation from Greenwell Montagu last spring.

*

Mr John Woolhouse has become a senior actuary at R.WATSON & SONS. He was a director of Royal Life Holdings and managing director and actuary of Royal Heritage. **Mr Ian Farr** also becomes a senior actuary at Watsons. He was assistant general manager (pensions) at Friends Provident.

*

Mr Ronald H. Campbell has been appointed a non-executive director of HOWDEN GROUP. He was a director of Babcock International. **Sir Thomas N. Risk** has resigned from the board because of other commitments.

*

CROWN FINANCIAL MANAGEMENT has appointed **Mr Andrew Withey** as director responsible for the investment management, unit trust and personnel operations of the group. **Mr John Arnold** has been appointed group investment manager, and **Mr Stuart Perilli** has been promoted to managing director of Crown Unit Trust Services.

*

Following the acquisition of D & H Cohen, **Mr David Cohen** has been appointed a director of ALEXON.

*

THE HEALTH & SAFETY EXECUTIVE has appointed **Mr Ian Cleare** from November 30 as director of its electrical equipment certification service. He was managing director of Gilflex, a subsidiary of MK Group.

*

TODD SCALES has appointed **Mr James Feord** as commercial director. He was director of Securicor.

*

CBS INTERNATIONAL has appointed **Mr K.J. Seymore Walker** as technical director. He was a principal scientific officer at the forest products laboratories of the Building Research Establishment.

THE ASSOCIATION OF INTERNATIONAL SAVINGS BANKS IN LONDON, (which has 30 members), has appointed **Mr Vagn S. Pedersen**, managing director and chief executive officer of London Interstate Bank (a wholly-owned subsidiary of Sparekassen SDS of Denmark), as its chairman. He succeeds **Mr Alberto Crippa**, general manager of Cassa di Rispamio delle Provincie Lombarde (CARIPLO) London branch. **Mr M. Winston**, senior assistant general manager, TSB England and Wales, has been re-elected president.

*

Mr Andrew Lansley has been appointed director, home affairs, of the ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE.

*

Following the acquisition by DOBSON PARK INDUSTRIES of Presswell Engineering **Mr Phil Jones**, previously managing director of Presswell, has joined Dobson Park's subsidiary Pitcraft as general manager Presswell division.

*

THE ROYAL BANK OF SCOTLAND GROUP has appointed **Sir Robin Duthie** as deputy chairman and non-executive director of Capital House Investment Management, investment management and unit trust division of the group. Sir Robin, a non-executive director of the group, and of the Royal Bank of Scotland, is chairman of the Scottish Development Agency, and a director of a number of other companies.

*

Three directors have been co-opted to the board of FITZWILTON. They are: **Mr David J. Davies**, vice chairman and chief executive of Hill Samuel Group, and a director of Hardwicke; **Mr Greville Howard**, executive deputy chairman of The Keep Trust (in which Fitzwilton has a 30 per cent holding); and **Mr Ray McKenna**, a director of CFL.

*

Mr Bill Dines has been appointed manufacturing director of TOOLING PRODUCTS, a Weir Group subsidiary. He was production manager.

Sears company secretary

From February 1 **Mr Stuart Murray** becomes company secretary of SEARS. He is assistant company secretary and will replace **Mr Geoffrey King** who leaves on November 30 to take another post. From December 1 to January 31 **Mr Douglas Ward**, finance director, will act as company secretary.

JOBS

Soaring market for specialists in accounts

BY MICHAEL DIXON

ANYONE ever awakened at night by an angel writing in a book of gold, would of course be wise to copy Abou Ben Adhem. He reacted by asking to be entered in the ledger as one who loved his fellow men - which, if we are to believe the poet Leigh Hunt, raised his personal stock to unsurpassed heights on the eternal market.

But British readers mindful also of their prospects here below might do well to request a supplementary entry: namely, that the recording angel should put them down additionally as an accountant like himself.

For the latest pay survey by the Remuneration Economics consultancy shows that demand for accountants and associated financial staff in the United Kingdom has continued to soar skywards. By contrast, the jobs market for most other kinds of higher-grade specialists is if anything going down.

Moreover Peter Stevens, the consultancy's chief, thinks the climb will not be significantly interrupted by events on stock markets and the like. "There is no guarantee at present that supply will ever outstrip demand," the report on the survey declares.

The broad findings of the study of 2,837 financial people working in 202 companies, and those of a contemporaneous survey of 2,087 personnel staff in 184 concerns, are given in the table above. The date in both cases is as at September 1.

Rank of job-holder	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Upper quartile Basic salary £	Upper quartile Total money reward £	Average Basic salary £	Average Total money reward £	% who were paid bonus	Bonus as % of recipients' average earnings	% with company car	% with free petrol	% with 5 week or more holiday
Director - finance	36,000	38,700	42,640	47,106	60,000	60,000	47,590	50,858	50.0	12.0	93.6	56.4	87.0
- personnel	32,000	34,000	39,520	41,000	42,475	48,500	38,154	40,927	60.4	10.9	97.9	56.3	79.0
Senior function head - finance	25,560	25,560	30,774	31,500	37,450	39,061	32,301	33,806	38.5	10.2	90.4	42.3	84.0
- personnel	22,043	22,500	27,500	29,511	34,094	37,621	29,722	31,441	47.9	9.5	91.4	40.4	79.0
Function head - finance	22,668	23,178	27,500	28,444	32,750	35,000	28,901	30,190	41.8	9.2	90.1	41.0	83.0
- personnel	19,525	19,620	25,848	27,390	32,000	33,489	26,988	28,211	45.2	8.4	87.1	32.3	84.0
Department head - finance	19,448	20,006	22,780	23,500	26,000	27,280	23,580	24,425	41.7	7.4	74.0	24.9	82.0
- personnel	19,350	19,500	23,250	24,265	26,800	28,038	24,018	24,992	51.0	6.8	76.4	23.9	81.0
Section manager - finance	17,500	17,760	20,520	21,178	24,323	25,213	21,211	21,936	41.1	6.2	56.2	17.3	71.0
- personnel	17,203	17,750	20,250	20,943	22,964	24,335	20,573	21,381	52.9	6.4	62.7	10.5	77.0
Section leader - finance	15,000	15,307	17,490	17,840	19,956	20,600	17,716	18,295	44.0	5.5	29.2	4.6	66.0
- personnel	14,769	15,081	16,570	17,140	19,431	19,913	17,199	17,647	37.9	5.3	41.8	8.0	71.0
Senior accountant	13,230	13,955	15,507	16,061	18,000	18,660	15,983	16,610	42.9	5.8	19.6	6.8	65.0
Senior personnel officer	13,155	13,281	14,650	15,200	16,850	17,810	15,180	15,723	47.0	5.4	22.7	4.8	68.0
Accountant	10,309	10,525	12,000	12,226	14,346	14,970	12,515	12,868	37.7	5.2	9.2	0.3	51.0
Personnel officer	11,000	11,358	12,336	12,867	14,277	14,623	12,743	13,275	44.6	6.3	14.0	0.8	51.0

Readers wanting fuller details should contact Mr Stevens at 51 Portland Road, Kingston-upon-Thames, Surrey KT1 2SH; tel. 01-549 8726.

My table starts by showing the salaries, and total cash rewards including bonuses and so on, of eight grades of financial and personnel folk.

The lower quartile figure refers to the person who would be a quarter of the way up from the bottom in a ranking of all of the same grade and specialism. The median denotes the one mid-way in the ranking, and the upper quartile the person a quarter way down from the top. Next come the averages among the similarly graded people in the same kind of work. Then we have the percentages of those in each category who receive various kinds of fringe benefit.

The buoyancy of demand for accounting types is indicated by the average rises in money rewards among the people who took part not only in the latest survey but also in the one for 1986. In financial work the increase over the 12 months to September 1 averaged 13.2 per cent, against 11.9 in personnel. Incidentally, the corresponding figure for UK engineers shown by a separate Remuneration Economics survey recently, was a mere 8.5 per cent.

As measured by resignations of people moving to new jobs, the market for personnel staff - like that for engineers - was more stable than in 1985-86 with such departures down to 8.5 per cent from 10.3. The rate for the accounts people jumped the other way, to 10.8 compared with 8.2 per cent.

Of the high-paying finance-sector companies in the study, only one in eight were finding it hard to keep accounting staff. But retention problems were besetting almost a quarter of the manufacturing concerns.

Indeed, some companies were paying new recruits at middle grade more than counterparts already in post. If the longer-servers find out, the employer's best hope of averting further fuss may be to regale them with the parable of the vineyard. In view of the state of the market, though, I doubt that the holding power even of the scriptures is likely to be enough.

Arts finance

ONE PERSON whose plans seem menaced by the roaring demand just described is Piers Rodgers, by title secretary but in effect the chief executive of London's Royal Academy of Arts. He is seeking a financial controller to join himself and three others, all of them artists and academicians, on the top management team.

"It's a highly entrepreneurial life here," he says. "We get no state money as such, and until about five years ago we were slowly but perceptibly going down the drain. But we've built up considerable resources since then."

The main key to survival is sponsorship - for instance, the new Age of Chivalry exhibition supported by Lloyds Bank cost £1.6m. But some millions more are earned yearly through shops, a restaurant and so on.

As well as developing and running the financial-control and management-information systems, the newcomer will be responsible for administration and personnel (there are 100-plus staff all told) and for the organisation of security.

While candidates need not be qualified accountants, they should have controlled finance and management information in a smallish though complicated concern, preferably operating in several lands. An interest in fine arts is essential, as is an eye for useful further trading opportunities.

The only snag is that, while no salary is quoted, I cannot see the salary being much more than £25,000 and there will be little by way of perks. Even so, Piers Rodgers hopes that the nature of the job will attract the right person.

Inquiries to him at Burlington House, Piccadilly, London W1V 0DS; tel 01-734 9052.

TRADER
Treasury Products

Excellent salary & benefits

In the field of treasury products, County NatWest is growing rapidly. As part of the NatWest Group, we are an international force in global investment banking.

To support this growth, we are now looking for a Trader to add to our already successful, young, dynamic team.

Aged 22-25, with 2-3 years' active trading experience, you will have ambitions to match our own, with exposure to the Sterling Market and other products such as FRAs.

The successful candidate will receive an attractive remuneration package, together with a range of benefits.

Please write enclosing a detailed curriculum vitae to:
Anne C. Lynch,
County NatWest Limited, Drapers Gardens,
12 Throgmorton Avenue, London EC2P 2ES.
Tel: 01-826 8293.

COUNTY NATWEST
& The NatWest Investment Bank Group

Bank of Tokyo Capital Markets Limited

DM BOND TRADER

Bank of Tokyo Capital Markets Limited, a member of the Bank of Tokyo Group, is a leading market maker in Euroyen and Eurobonds. It is now diversifying its product range in other currency bonds and therefore seeks to strengthen its Eurobond trading team.

You must be an experienced DM Bond Trader.

The competitive remuneration package will be negotiable as it is our intention to attract the best DM Bond Trading talent available in the market.

Please apply in writing with full c.v. to: The Personnel Manager, Bank of Tokyo International Limited, 20–24 Moorgate, London EC2R 6DH.

A member of the Bank of Tokyo Group.

Corporate Analyst
c.£40,000 + benefits

This is a unique opportunity in an area not normally associated with a chartered accountancy firm.

Working directly for our National Managing Partner, you will analyse the businesses and market standing of our clients with a view to assisting them to reposition and to develop strategies for growth. Your responsibilities will encompass providing continued advice throughout the implementation of your initiatives. You will have access to the expertise of a team which already includes top line management from industry.

Aged under 35, you will have several years' experience of financial research across a range of market sectors, probably in a merchant bank, stockbroking firm or fund management house. You must demonstrate well developed commercial acumen and analytical judgement. Excellent interpersonal skills and the ability to communicate effectively at Board level are essential.

The remuneration package is commensurate with a senior appointment and includes an executive car.

There are excellent career progression prospects to the highest level in the firm.

To apply, please write with concise CV to:

ROBSON RHODES
Chartered Accountants

Philippa Jones (Miss), Recruitment Manager,
Robson Rhodes, 186 City Road, London EC1V 2NU

Commodity Division

SENIOR ENERGY FUTURES BROKER

Our Client, a major Brokerage House with an established Energy Futures Desk, is currently offering an interesting opportunity to a highly capable Futures Broker or Broker/Salesperson. The ideal candidate should have had exposure to both the UK and US Exchanges and have spent at least three years broking Energy Futures on behalf of Trade Clients.

Our Client will however, consider applications from Physical Crude or Oil Products Traders with exposure to Futures markets who are interested in a career change.

TECHNICAL ANALYST

Our Client, an International Organisation with an active presence in the Commodity and Financial Futures markets, requires an experienced Technical Analyst to join its Research Team. The successful candidate will be a graduate with at least two years experience gained within an established Futures Broker or Securities House.

For further information on the above positions please contact Trish Collins or Katrina Webster on *01-929 2383 or write to* Reed City, Fourth Floor, 1 Royal Exchange Avenue, London EC3V 3LT.

REED ...City

Assistant Treasury Manager
North West — c £18,000 + benefits

Our client, a major autonomous subsidiary (turnover c £600m) of one of the UK's most successful manufacturing companies, is currently undergoing a period of significant change. Recent expansion has led to a programme of decentralisation and as part of the success of this programme they now seek to recruit an Assistant Treasury Manager.

Reporting to the Group Treasury Manager, the successful candidate will gain exposure to a full range of cash and treasury management activities including involvement in foreign exchange dealings and trade finance. The role is a commercial one, will include some overseas travel and represents an ideal opportunity to enter this exciting and developing area.

We anticipate that the successful applicant, probably in the age range 27-35, will either be a qualified accountant or MBA with some post-qualification commercial exposure or previous experience in the treasury area. In either case, the determination to succeed and highly developed interpersonal skills are essential requirements.

Interested applicants should write to Geoffrey Barrow A.C.A., quoting ref: 746, at Michael Page Partnership, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. (Tel: 061 228 0396).

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Based London to cover UK or Middle East & Africa

Bankers Trust is a progressive merchant bank operating at the forefront of international banking. The International Private Banking Group is one of our fastest growing areas of business. We now have opportunities for two high calibre professionals to drive and participate in that growth. The positions involve respectively the UK and the Middle East and Africa.

Senior International Private Banking Officers

You'll be required to originate clients and market to them our broad range of multi-national banking capabilities. These include portfolio management, credit, property finance and acquisition and fiduciary services. In addition, you will be expected to cross-sell the services of the merchant bank.

You'll be an excellent communicator at all levels and enjoy working as part of a small, dynamic team. You must have previous credit training and good marketing and commercial banking skills as well as the confidence and ability to access clients. Aged mid thirties, you'll have some 8-10 years commercial banking experience, including 3 years in private banking.

Both positions are based in London but there will be travel overseas and within the UK.

We offer a competitive salary in line with experience and ability and variable compensation based upon superior performance plus the usual banking benefits. For further information or a confidential discussion please telephone Donna Marcus on 01-382 2266 or send your CV to her at Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE.

Bankers Trust Company
Merchant banking, worldwide.

MERGERS AND ACQUISITIONS SPECIALISTS

PA Developments

PA Developments is part of the PA Consulting Group, the international management and technology consultancy. We specialise in undertaking acquisitions and divestments for national and international clients in the UK and overseas.

We need additional consultants, based in London, to handle the growing volume of acquisition work in a variety of commercial and industrial sectors. Your responsibilities will include advising clients on their acquisition strategy and objectives, evaluating businesses and negotiating deals.

Ideally, your background should include experience of negotiating acquisitions/divestments and/or corporate finance deals in a broad range of industries; consultancy or line management experience would be an advantage. The ability to generate business as well as operate specific programmes is important.

We offer a competitive remuneration package including performance-related pay and a car or car allowance.

Please send your cv, in strict confidence, to the Personnel Manager, Strategy Services, PA Consulting Group, Bowater House East, 68 Knightsbridge, London SW1X 7LJ.

PA
PA Consulting Group

LEADING US FINANCIAL SERVICES INSTITUTION

A prestigious Wall Street Firm, actively trading worldwide, is seeking a young US Equities Salesperson to cover Swiss Clients from a London base.

The successful applicant will have a strong academic record to at least degree level, and will be fluent in both German and Swiss dialect.

Applicants should have a sound understanding of the product and the potential client base, probably gained by several year's experience in a research based role, working for major financial institutions in the USA and/or Switzerland. At the same time they must have proven marketing potential, demonstrated by having built up effective client relationships in their previous employment.

The successful appointee will be expected to be mobile in response to the Firm's global commitments.

Good remuneration/benefits package.

Applicants possessing the above qualifications and experience should write to: TG West, Managing Director, (Ref 8225), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX.

associates IN ADVERTISING

Search & Selection Consultants
c£50k–£100k p.a.
(to include good salary & bonus PLUS share options & car)

City Based

We are part of a successful and fast expanding Financial and Management Services Group PLC. We are seeking high calibre proven search and selection professionals to join our team and share in the exciting profitable growth opportunities.

You will be an excellent recruiter – individual, team or company – aged 35 plus. You will have an outstanding business track record and for the last 3 years have been a key fee earner with a top search and selection company or running your own highly profitable operation. You will obviously have a large active and totally loyal client base.

You are now looking for the ultimate job satisfaction which only comes from having a more generous tax-effective return for your hard work and the security of a substantial group.

We will offer you that exceptional opportunity, a good salary plus generous bonus AND share options plus car.

In total confidence, please contact John Forbes, MD, or Robin Carnegie, Greyfriars, 104 Newgate St, London EC1A 7BA. Telephone number 01-726 2971.

GREYFRIARS
A Member of the Guidehouse Group PLC

Recruitment Consultants

We are a long established Recruitment Consultancy dealing with permanent positions in the financial services industry.

Opportunities are currently available for experienced consultants, with a proven track record of achievement in the following disciplines:

SECURITIES — BANKING

A generous salary together with an excellent commission structure should enable the right candidates to earn between £30/40K annually.

If you have ambition and drive, you should contact Robert Summers on 01-481 3188 or send your curriculum vitae to him.

CHARTERHOUSE APPOINTMENTS
EUROHOUSE · WORLD TRADE CENTRE · LONDON E1 9AA · 01-481 3188

International Treasury

Deputy to Chief Dealer
£32,000 + benefits

Our client is a medium size American bank with a high profile in the Forex markets. To strengthen their seven strong dealing team we are recruiting a senior dealer to act as No.2 to the Chief Dealer. Although concentrating on spot and forward dealing, you will also be using interest rate arbitrage, futures and options. If you can also demonstrate the ability to control an effective and fast moving team this is an opportunity to further develop your career in a managerial role.

Please contact Jocelyn Bolton on 606-1706.

Corporate Dealer
c.£30,000 + benefits

Our client is a major name in International corporate treasury advice, with an aggressive trading capacity and an extensive range of treasury products. An opportunity currently exists within the dynamic Corporate team for an experienced young professional to take responsibility for the servicing of a broad range of blue chip corporate clients. Candidates should have a proven track record with a major bank and the ability to expand and develop the client base.

Please contact Anita Harris on 606-1706.

Anderson, Squires Ltd.,
Financial Recruitment Specialists
127 Cheapside, London EC2V 6BU.

Anderson, Squires

General Manager

London Bank

£70,000 plus benefits

We are looking for a person to fill one of the most interesting and challenging senior banking appointments in the City of London.

Our client is a long-established, foreign-owned London bank which has a strong position in a specialised area of overseas trade and project finance. It is now taking advantage of the recent developments and innovations in international finance to provide broader services to its customers.

The challenge facing the person sought is to lead the bank into the next stage of its development. This will require building on its existing strengths and adding new capabilities and resources in order to enhance its competitive position.

The person we are seeking is likely to be holding a senior management position in a UK-based international bank, and will be familiar with the techniques for financing and promoting international trade. Planning, management and leadership skills of a high order will be required to achieve success.

This major appointment will command a salary of £70,000, which will be supplemented by a full range of banking benefits.

If you wish to apply for this position please write – in confidence – enclosing a CV to Douglas Austin, ref. B.7021, or telephone on 01-730 0255.

MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

"I Thought They Just Made Tyres..."

On the contrary, Avon Rubber Group, specialists in Polymer Engineering, are world leaders in many areas; defence; off-shore oil; hovercraft and inflatable boats; the civil engineering and railway industries; dairy and agriculture; as well as performance tyres and automotive products.

We are at present into a sustained period of profitable growth. By pursuing excellence in everything we do our current turnover is now in excess of £200 million and we employ 4,750.

Our policy of growth by organic means and the acquisition of companies with associated technologies in the U.K. and abroad makes it necessary to increase our senior management team.

We need people around 30, educated to degree level, with a proven record in their own discipline, who have the ambition and capability to become Directors/General Managers. All jobs are based in Wiltshire but some will require extensive travel. Salary around £20,000; profit based bonus; company car and relocation expenses.

▶ AVON TYRES LIMITED
Business Development Manager
A commercially orientated MBA with broad based industrial experience to plan the strategic development of the company.

▶ AVON INDUSTRIAL POLYMERS LIMITED
Project Managers (2) Defence
One a qualified engineer, the other an MBA, both with business experience ideally in defence related markets.

▶ AVON RUBBER PLC
Financial Accountant
Chartered Accountant with commercial experience in industry to assist in the management of our acquired companies.

Project Manager, North America
MBA with overseas business experience. Will assist with the development of American operations.

Information Technology Manager
Degree specialisation is less important than the ability to communicate both verbally and in writing. Project Manager experience in a manufacturing environment highly desirable. Should be able to demonstrate that multi-disciplined projects have been brought to a successful conclusion.

Written applications please indicating which job(s) you are interested in plus brief CV to: John Hardwick MBE, Group Personnel Director, Avon Rubber Plc, Bath Road, Melksham, Wilts, SN12 8AA.

AVON

Compliance Executive

Life Company

London c£22,000+Car

As a result of the Financial Services Act, all life companies will be required to monitor the selling practices of their sales outlets. Consequently our client, a substantial financial services group, is seeking to appoint a Compliance Executive reporting to the Compliance Officer.

The Compliance Executive will set up systems and procedures to monitor compliance and will also be required to visit branches and sales outlets throughout the United Kingdom. Candidates may have either a legal or accounting background though formal qualification is not necessary. Alternatively, this position may be of interest to industry practitioners who are looking for a move to a Head Office environment.

The package, including a car, is negotiable and will not be a limiting factor for the right candidate. A relocation package is also available.

For further information please telephone Paul Wilson on 01-404 5751 or alternatively write to him enclosing full CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

CORPORATE TAX PARTNER

£30,000 plus

HOWES · PERCIVAL

Providing a City quality service to commercial clients in the UK and abroad, Howes Percival are continuing their nationwide expansion programme with the recruitment of an additional Commercial Tax Partner.

The Requirement:

- **A solicitor with five years relevant experience.**
- **Academic and professional excellence.**
- **Commercial acumen.**
- **A.T.I.I. membership.**
- **Knowledge of UK and European taxation.**

The post will attract those who require a City salary level coupled with the opportunity to live and work in an attractive and prospering part of the country. More recently admitted candidates are welcome to apply.

For a confidential discussion contact: Neal Parsons on 021-200 2660 or write to him at Reuter Simkin Limited, Fountain Court, Steelhouse Lane, Birmingham B4 6DR.

REUTER SIMKIN
RECRUITMENT

Capital Markets

Develop Sales in Europe

£40,000-£60,000 + Car + Bonus

This successful and respected international banking group, established in London for 125 years, is set to strengthen its capital markets presence from the London office. Having demonstrated financial commitment to expansion, with the extension of a modern, well-equipped dealing room, the appointment of a senior professional to play a key role in developing the sales activity is now a priority.

Essentially, you will establish placing capacity for primary and secondary paper *by* maximising your existing contacts and developing new business relationships. There is a prime opportunity for you to *influence strategy by providing advice and information* on products and marketing techniques. Your dedication to excellent client service and gaining a competitive edge will bring long-term benefits.

Aged 25 to 45, you have at least 3 years' experience of sales in the UK and/or Europe, ideally covering a range of products, including ECP. Self-motivated, with the initiative and ambition to achieve a high level of personal performance, you are keen to join an active and friendly dealing team. Previous involvement in trading would be an added advantage.

Prospects are excellent and the remuneration package is flexible enough to be attractive to the right candidate. To apply, please write with career and salary details, in complete confidence to Jane Comben, Associate *Director, Cripps, Sears & Partners Limited,* Personnel Management Consultants, International Buildings, 71 Kingsway, London, WC2B 6ST. Tel: 01-404 5701.

Cripps, Sears

Fund Management

U.K. and International

Our clients, who are amongst the major U.K. Merchant and Investment Banks, are currently expanding their Fund Management business to focus on the following:

- U.K. Pension Funds
- U. S. Pension Funds
- and European Markets

The successful applicants will be a graduate with a minimum of 3 years experience, handling high profile institutional clients who will be able to make an immediate contribution to a highly successful and motivated team.

Excellent salary package.

Please contact **Carolyn Obbard,**

All applications will be treated in the strictest confidence.

18, Eldon Street, Moorgate, London EC2M 7LA. Tel: 01-588 4224

CAPITAL FUTURES
RECRUITMENT CONSULTANTS

EXECUTIVE DIRECTOR

Opportunity to join as Executive Director of Company involved principally in plastic injection moulded products. Applicants required to have knowledge of tooling and plastics and also good management skills. Possibility for right candidate to take over position of Managing Director in near future.

Write Box A.0716, Financial Times,
10 Cannon Street, London EC4P 4BY

MONEY MARKET MANAGER

To deal, develop and drive

The trading room of this highly regarded European Bank has recently seen organisational changes. The corporate side of the business now needs strengthening to provide the high level of customer support which is the hallmark of the Bank's approach. The appointment will be made at senior management level, thus reflecting the importance of the role, which will combine hands-on dealing with team motivation and development of the corporate base. In-depth exposure to all Money Market instruments is essential – so much so that we doubt if candidates below thirty five will be sufficiently experienced. The magic combination will be aggressive dealing skills and proven diplomatic management abilities. Prima donnas are not well regarded in this organisation, which concentrates its efforts on team-work.

The salary/benefits package has been geared to meet the needs of the very best, while further promotional prospects make this a most attractive proposition.

To talk about this opportunity or to arrange an exploratory meeting at our City offices, please ring Malcolm Lawson on 01-493 5788 during the working day or 0444 73216 in the evening. Alternatively, send us your full career details quoting reference LC 7217.

LINK 13/14 Hanover Street, London W1R 9HG. Telephone: 01-493 5788.

Link City Search & Selection Ltd.

Jonathan Wren

DEPUTY MANAGER

RETAIL BANKING

£25,000 + banking benefits + car

Servicing the financial requirements of high net worth individuals who use London both as a business and tourist centre forms an integral part of our clients retail banking function.

The individual they seek to fulfill this important role will operate from the luxurious West End offices of this substantial bank, and will be an experienced banker aged around 35 years.

The successful applicant will also have a good understanding of the needs of multi-national clients, both operational and personal, and excellent man-management skills, together with the flair, imagination and reliability necessary to effect the smooth operation of the job function.

For further information please contact
Richard Meredith on 01-623 1266.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

DIRECTOR OF ADMINISTRATION

Institutional Fund Management

Excellent salary plus full banking benefits

The City-based investment management subsidiary of a major British bank seeks an exceptional individual to manage and develop its administrative and support functions. Already a market leader for UK corporate pension fund management, the company currently has £5 billion under management and is rapidly expanding both its domestic and international business.

This is a Board appointment carrying responsibility for the development of front-office support systems and back-office administration including settlements, dividends, new issues, securities handling, valuations, client reporting, general accounting, and for the management and enhancement of computer-based systems.

The post demands a creative all-rounder with strong leadership skills and sound experience of investment administration and settlements, probably acquired with a substantial fund management company with a broadly based product range, a life insurance company or major stock broker with a fund management business.

For exploratory discussion, information pack, or to apply, please write or telephone Peter Nielsen, Grosvenor Search International Ltd., 178-202 Great Portland Street, W1N 6JJ, 01-631 5135/0348 (daytime); Answerphone, 01-579 3229 (evenings/weekends), quoting Ref: G551.

Grosvenor
SEARCH INTERNATIONAL LTD

Search & Selection, 178-202 Great Portland Street, W1N 6JJ. Tel: 01-631 5135 or 01-631 0348.

Opportunities within
British & Commonwealth's
Merchant Banking Division

PROPERTY FINANCE

British & Commonwealth's substantially capitalised merchant banking group is further expanding its successful property financing activities, one of the bank's core businesses, and is seeking to make a number of key appointments within this area:–

• Assistant Director • • Manager •

Your primary role will be to market and develop the bank's property financing products. You will therefore have a proven record of generating and closing a significant amount of property related business.

• Assistant Manager • • Loans Officer •

Both positions will entail assisting the senior members of the team in generating new business although initially you will primarily be involved in the processing of new business including the preparation of credit committee applications, documentation and the monitoring of existing accounts.

Previous experience within property lending is essential for all the positions except that of loans officer for which at least two years banking experience is necessary.

All applicants must be self-motivated and capable of working independently in a highly competitive and pressurised environment.

This represents a rare opportunity to join a new merchant banking group in its early stages where outstanding performance will be fully rewarded. The group is a 100% subsidiary of British & Commonwealth Holdings PLC, one of the UK's largest and most active financial companies.

Please apply in writing with a fully detailed Curriculum Vitae to:
Michael Robinson, Cayzer House, 2-4 St Mary Axe, London EC3A 8BP.

BZW

Senior Manager

Corporate Finance Manchester

Barclays de Zoete Wedd Ltd. is the international investment and merchant banking arm of the Barclays Bank Group.

They wish to appoint a Senior Manager – Corporate Finance who will assume responsibility for leading a specialist team, identifying and structuring transactions, particularly in the field of mergers and acquisitions, flotations, capital raisings and management buyouts.

Candidates, 28-35, should be graduate Chartered Accountants or qualified lawyers, and should be currently working either in a Corporate Finance Department or within a major international accountancy practice with exposure to the above areas.

The remuneration package will depend on experience and ability and full relocation will be provided where necessary.

In the first instance, please contact Lindsey Sugden, ACA, in London on 01-831 2000 or Stephen Banks, ACMA on 061-228 0396 or write enclosing a comprehensive curriculum vitae, to Michael Page City, Clarendon House, 81 Mosley Street, Manchester, M2 3LQ quoting ref. 747.

MP

Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

MANAGING SETTLEMENTS

Senior Position £ Negotiable + Car

Financial Sector Human Resources

A leading City Investment Management Company, the subsidiary of a prestigious U.K. merchant bank, is seeking to recruit an experienced and highly motivated individual to a senior position within its Investment Settlement Section.

The successful candidate is unlikely to be under 28 years of age and will have proven experience of supervising the clerical and processing functions, involving large volumes of transactions, within the investment settlements function. In depth knowledge of the U.K. side is essential.

As a senior member of the team responsibility will be given for the accuracy and punctuality of contracts, confirmations and reconciliation functions together with involvement in staffing, training, systems development and external liaison. You must be able to use your knowledge and management skills to provide a smooth and effective back-office operation in support of the company's substantial business base.

If you have relevant experience of the settlements function and would like to pursue this challenging opportunity further you can contact us, in strictest confidence, on 01 405 9000/1 (day) or 01 229 0063 after 7pm. Alternatively, send your C.V. together with details of current remuneration to Jane Ingleby at MCP Management Consultants.

MCP
MANAGEMENT CONSULTANTS

Lawrence House 51 Gray's Inn Road London WC1X 8PP

Member firm of the Management Consultancies Association

CREDIT ANALYST

Hill Samuel & Co. Limited, one of the City's leading Merchant Banks, is seeking to appoint a Credit Analyst to join its Property and Financial Lending team within the Commercial Banking Division.

The suitable candidate is likely to be aged 25-30, probably currently working within a Clearing or similar bank environment and who has had general experience in most aspects of lending and credit assessment. Preferably applicants will have passed their banking examinations or be well on the way to doing so. This post offers good promotional prospects for the right candidate.

In addition to a competitive salary, we offer excellent fringe benefits including profit share, subsidised mortgage and loan schemes, non-contributory pension scheme, free life assurance and BUPA.

Please send a full curriculum vitae, in strictest confidence, to:

Mrs. Anne Dunford,
Manager – Personnel Department,
Hill Samuel & Co. Limited,
100 Wood Street,
London EC2P 2AJ.

HS

HILL SAMUEL & CO LIMITED

3i IN THE CITY

INVESTMENT AT A POINT OF CHANGE

INVESTMENT EXECUTIVE

The City Office of 3i looks after £500m of portfolio investments in 150 companies. Our activities include listed and unlisted equity investment and medium term lending in the UK, including 'mezzanine' transactions.

We are now building a specialist leverage buyout/management buyin team. The team will identify and acquire companies, design and implement the appropriate financial structure to effect the acquisition, and work closely with new and existing management to develop and enhance the company with a view to realisation in the medium term.

We are looking for an Investment Executive who may have corporate finance or venture capital experience. A commercial outlook is critical and experience in industry would be an asset. You will have the skills to establish mature, long-term relationships with people, and appreciate the role of marketing. It is unlikely that anyone under the age of 27 will have the necessary experience.

As an Investment Executive you will receive an attractive package including the usual financial sector benefits. For more information about this new development, please send your CV to Kathleen Rawle, Personnel Manager, Investors in Industry plc, 91 Waterloo Road, London SE1 8XP.

3i
A WEALTH OF EXPERIENCE

Fund Management Career Opportunities

Investment Assistants (2 posts)

Globe Investment Trust P.L.C., the world's largest investment trust with assets in excess of £1bn and a dynamic portfolio strategy, is seeking to recruit 2 assistants to its fund management team.

Far Eastern Desk

This post involves working closely with the manager in providing analytical skills as well as dealing with stockbrokers, leading to a direct contribution to the investment strategy.

UK Desk

This post involves working initially on the UK/European desk, but may involve other overseas markets in due course. As part of a small fund management team, this position could lead to an exciting career development.

The ideal candidates (probably mid 20's) are likely to be graduates with a sharp analytical mind who are able to present themselves well at all levels. Training will be provided, but preference will be given to those with some relevant business experience.

Starting salary will be negotiable depending on experience and will be part of an attractive financial package.

To apply, write in confidence with full c.v. to:

Mr J P Craze, Secretary, Globe Investment Trust P.L.C. Electra House, Temple Place, LONDON WC2R 3HP.

Globe Investment Trust P.L.C.

Market Researcher

Financial Sector

This leading Public Company is a major provider of Information Technology solutions to organisations within the U.K.'s International Securities Industry.

An exciting, newly created position has arisen for an experienced financial market researcher of graduate calibre who has extensive knowledge of the stockbroking and related financial sectors.

Highly Attractive Salary + Quality Car

You will already have highly defined administration and communication skills and the position reports directly to the Marketing Director.

For further details of this rare opportunity, call **Kenny Lipton on 01-464 6655** or send your career details and remuneration requirements to:

MSB

MSB Appointments, MSB House, 19 The Mall, Bromley, Kent BR1 1TT.

All enquiries will be acknowledged and will be treated in strict confidence.

APPOINTMENTS ADVERTISING

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call 01-248 8000

Tessa Taylor ext 3351
Deirdre Venables ext 4177
Paul Maraviglia ext 4676
Elizabeth Rowan ext 3456

LJC BANKING APPOINTMENTS
LJC BROKING

We are actively recruiting all levels of experienced staff on behalf of investment/commercial banks and stockbrokers.

If you have at least 2 year's banking or broking experience in equity sales and analysis, gilt operations, fund management, asset liability trading, forex dealing, financial control, compliance and bond/equity operations including settlements, please contact us.

Please speak with Elizabeth Hayford concerning banking positions or Cindy Brunck on stockbroking matters. Our telephone number is 01-377-5040 or write to:-

LJC BANKING

146 Bishopsgate, London EC2M 4JX: 01-377 8600

---

c26.000 +

One of Britain's leading publishers of economic and financial newsletters require an

ECONOMIST/EDITOR by January 1988

Successful applicants will be c-30-40 years of age and will have a profound and proven knowledge of industrial economic studies, data management, foreign exchange, investment, raw material and metal markets. Knowledge of German an advantage but not essential.

Apply with full details to:
Messrs Husain Balman and Co
212 Strand, London WC2R 1AP

Ref: ABT 4

EDITOR IN CHIEF

Business magazine with growing International circulation seeks an Editor-in-Chief, who will be responsible for assigning and editing stories on finance, trade and industry. Preferred qualifications include strong administrative skills, good contacts with business journalists, and a background in writing and editing for a business publication. Competitive salary and benefits.

Please write with curriculum vitae to:
Box 72, Group Publishing, 102 High Street Eton, Windsor, Berks SL4 6AF.

Television/Christopher Dunkley

Successful package for the thinking man

There used to be no contest for the title "Most interesting channel for the more demanding viewer:" BBC2 won it hands down. Now there is at least some competition from Channel 4, yet the title still remains with BBC2. In addition to major series on Shostakovich and Woody Allen (not to mention *The Victorian Kitchen Garden*) BBC2 is currently running two series of a sort which have characterised its output for years, helping to make it the channel I watch more often than any other.

At first sight *The Great Philosophers* appeared to be a series in which presenter Bryan Magee would introduce a new expert every week for 15 weeks, and the experts would take us through the work of different philosophers, from the ancient Greeks to Wittgenstein. Superficially that is, indeed, the format: Magee occupies one end of the sofa and his guest the other. Incidentally this sofa, like the studio walls, is of a colour and pattern which puts one in mind of excretions from either end of the human body. It is time that all producers realised that straying from a black background in a talking head programme is just as perverse as straying from black-on-white in the printing of books.

Magee starts each programme by outlining the ideas of the week's subject in the broadest terms, and then asks his guest a series of leading questions. The guest then tells us about his special subject...or so it seems. In fact the longer you watch, the more you realise that Magee is like an opening batsman who is going to carry his bat right through the innings, accompanied at the other end by a succession of partners, some looking flashy but undependable, others performing rather well, each appearing for a while to be the most important person in sight, but all of them in the end serving mainly to support the key player.

We are now just over half way through the series, with Plato and Aristotle, Augustine and Thomas Aquinas, Descartes, Spinoza and Leibniz, Locke and Berkeley, Hume and Kant down, and Hegel and Marx, Schopenhauer, Nietzsche, the existentialists, the American pragmatists, Frege and Russell, and Wittgenstein still to go.

What has become clear is that Magee is better than any of his guests - better even than Bernard Williams, the best so far, who dealt with Descartes - at the extraordinarily difficult job of using television to convey philosophical ideas to a lay audience. The eau de nil stripes in Magee's Garrick tie may clash rather horribly with the blue of his shirt, and his unusually powerful spectacles may occasionally make his eyes look like those of a sea monster, but Magee possesses to an abnormal degree the three central attributes of a good journalist: curiosity, the ability to simplify, and a deep urge to communicate.

Again and again the guest will expound at length and Magee will say something such as "Can I stop you for a moment there because I think you've said something which is very important to all of us today: the belief that we can approach the truth via discussion." Only then, thanks to Magee's synthesis, do you grasp the essence of what the guest has been driving at.

Moreover it is Magee, in his role as Socratic interlocutor, who periodically introduces new elements, and usually he who moves the discussion on to each key point. With Aristotle, for instance, it was Magee who brought out the "subject/predicate" approach to the description of things, and not his guest Martha Nussbaum (who was the least effective so far: was she chosen because she was the best on the subject, or because there would otherwise have been 15 male guests?)

It has been said, somewhat sarcastically, that *Great Philosophers* would make good radio, and so it would. It is a fact of life, however, that television attracts larger audiences. Furthermore there is a technical advantage to having it on television: while most people do not have recording devices attached to their radios, 60 per cent of homes do now have VCRs. If you record *Great Philosophers* on a VCR and watch it on playback you can stop and re-spool every time you find your attention has wandered which it does, regularly, now that we have become accustomed to such a brief attention span by the rest of television.

Scene from "Terror" on 40 Minutes

The other programme, which returned to BBC2 last week, is *40 Minutes*, an eclectic series of documentaries which, even when it began five years ago, was regarded by some as "old fashioned." This seemed to mean that the programmes were one-off efforts rather than packages (such as *Duty Men*, say), that they were mostly in the "human interest" category rather than investigative pieces on living conditions or mining or education, and that many of them seemed to be intended to entertain the viewer rather than wring his withers.

Those are, of course, the chief reasons why *40 Minutes* has been such an enjoyable and highly successful series. After watching the opening programme last week, and previewing six of those to come, it looks to me as though the new season will be as good as ever - though tomorrow night's offering, "Girls Apart," does seem close to being a waste of time.

It is difficult to imagine there is anybody left who is unaware that South Africa practises apartheid, and the idea of contrasting the attitudes of a rich white family and a poorer black family via the two daughters adds very little to our sum of knowledge. Journalistcally it is a dog-bites-man story. How much more original it would have been to show the hatred and the higher incidence of violent death in other African states where the divisions are tribal rather than racial.

Yet that programme is not typical. What we have come to expect from *40 Minutes* is the sort of programme which was intended to launch the season last week: Paul Watson's "Convictions," an extraordinarily revealing, and utterly engrossing, documentary about the young Jales brothers each of whom has a string of convictions, mainly for violent crime. Unluckily (though almost inevitably) yet another court case has forced the postponement of that programme, probably until the new year.

Instead they screened "Terror," an account of the after effects on the lives of three of those involved in the TWA hijack in 1985. In two cases there have been marital difficulties, and in the third the victim has fallen into the clutches of the "Born Again" Christian movement. The programme makers seemed to assume there was a vivid contrast between these outcomes, whereas some of us would see them as equally sad and deplorable, but the important thing is that here *40 Minutes* was fulfilling a duty which television usually ignores: returning to the subjects of a news story long after it has fallen out of the news.

I suspect that fans of *40 Minutes* probably tend to forget fairly quickly the more conventional items such as the forthcoming "East Side Story" which contrasts the haves and the have-nots in London's Docklands, and "If You Love Him Let Him Go" which is concerned with the mentally handicapped. What they remember are the "quirky" programmes: the one on public lavatories, the one about how it feels to be a mistress, the one about three Hooray-Henrys shooting gulls on a fishing trip, and so on.

The danger is that, recognising this appetite, the series will strive too hard to satisfy it. There is all the difference in the world between an eccentric programme made by somebody who happens to be passionately interested in a subject (public lavatories, say) and a programme made by somebody who feels that the outcome might look quirkily appealing. Two programmes due for transmission within the next few weeks, "Love At First Sight," which deals with exactly that, and "Party Time," which looks at contrasting styles of making whoopee, both contain the mildest of hints that they might be in the latter rather than the former category.

Nevertheless they both display that quality which, above all, makes *40 Minutes* such an unusual series: they are about the joys of life. BBC2 is one of the great joys of my life.

Deon van der Walt, Lars Magnusson and Kurt Moll

Die Entfuhrung aus dem Serail/Covent Garden

David Murray

The Royal Opera's new *Entfuhrung* - which I shall call *Seraglio* from now on, to save on umlauts - is messy but very engaging, and the friendly afterglow it leaves is proof that Mozart's little opera (a *Singspiel*, really) hasn't been traduced. Elijah Moshinsky's production has ideas, but mostly familiar ones nowadays, and not pushed so hard as to damage the fabric.

As usual the non-singing Pasha is made the crucial figure, as dramatically he always was: only people who went to *Seraglio* just for the arias would be surprised. He has the customary exotic dignity, gravity and implied depths beyond his European captives' ken, and Oliver Tobias plays him with a macho smoulder too. As in Johannes Schaaf's Salzburg production last summer, Constanze's final departure with her faithful fiance amounts to fleeing the dangerous thrills of a more grownup passion.

Schaaf's grimly single-minded reading made no sense, however, of the staunch tenderness of the young lovers' music (he presented Belmonte as a self-absorbed twit), whereas Moshinsky finds an unabashed English compromise that works; and by a piquant chance he has Schaaf's leading pair in his cast. The stylish, eager South African tenor Deon van der Walt is obviously delighted to be allowed his nervily sincere raptures this time, and Inga Nielsen - vocally insecure ('flu?) but brave and touching - can recycle her Schaafian near-frantic temptation toward the Pasha and still play fair by her true musical love.

Van der Walt's light, crisp timbre is nicely complemented by the still lighter and brittler tenor of his Pedrillo, Lars Magnusson, who stops short - just - of over-cuteness and also delivers a fine, incisive "Frisch zum Kampfe." Lillian Watson, surely one of nature's rare Blondchens, had uncharacteristically strident patches on Monday (and her private triple-time line in the great quartet was far too loose), but the persona is exactly right: knowing but cagey, cheerfully pragmatic, awed by her superiors but impertinently patronising to her equals - the very British model that Mozart had in mind.

The prevailing ideas leave the figure of the overseer Osmin untouched too, so Kurt Moll offers his ripely seasoned standard version (jolly, blustery and bemused) along with the most distinguished singing of the evening, manoeuvring his sumptuous bass with flexible art and taut musicianship. Probably Sir Georg Solti, the conductor, had a hand in his bracing, strictly up-tempo "O, wie will ich triumphieren:" compliments all round in any case, for it was a tonic - precisely apt for the situation, and unmatchable by any conventionally indulgent reading.

Solti hustled "Ich baue ganz" along with less justice, unkind to his Belmonte. The main ensembles could all have done with an extra run-through, and the simple serenity that lights up Seraglio is not a natural Solti vein; yet his lively impatience is a real asset of another kind (the first two acts, run together, make a long sit), and his unceremonious affection for the score is never in doubt.

What's messiest about the production, but also curiously engaging, is its visual side. Instead of the usual forbidding harem masonry (which prompts prison-visions echoed by nothing in the music or the text), we see Timothy O'Brien's comfortable old Moroccan villa, quaintly detailed and slightly decrepit - it's obvious why the Pasha should be in the market for a master-builder - with an open orchard-garden, and languid multi-racial retainers in 18th-century wigs: this Pasha has acquired European yearnings, and thereby an extra fascination.

All that savoury realism is nevertheless framed by the trappings of an 18th-century stage, and set between Sidney Nolan's abstract backcloths and front-cloths (crudely yanked to and fro), glowering colour-evocations of Arab landscape in a jarringly dissonant style. That ought to be a wild misjudgment. In fact it reinforces the sense of the action as a doomed country-house idyll, domestic as much as exotic: I recalled Tarkovsky's film *Solaris*, where the camera draws back from the final consolatory reunion at the long-lost homestead to reveal it as only another wish-fantasy, floating amid impassive galactic mists.

Rattle/Festival Hall

Max Loppert

Simon Rattle's London concerts now raise such high hopes and offer such exciting prospects that disappointment is sometimes unavoidable. Mahler's Sixth Symphony by the Philharmonia on Monday was a striking and, in the last two movements, brilliantly confident sketch of the completely achieved interpretation conductor and orchestra are capable of giving; it lacked the totally disciplined projection of a "finished" performance.

Rattle's command of this work is marvellously sure. He keeps in balance the strict structural proportions, the morbidly fantastic colours, the mirage visions of happiness and peace; in the opening Allegro, the strict-tempo handling of the first subject and the much freer, more flexibly emotional treatment of the second - with rubato boldly and convincingly applied to the climaxes - were marvellous tokens of his authority. But, both here and in the Andante (which Rattle placed second in order, in my view quite rightly), the flecks and flaws of individual players (brass, notably) and the not-quite-firm body of violin tone suggested that the orchestra's corporate mind was not yet wholly at one with the conductor's.

That coming-together took place in a Scherzo rich in malign wit and delicate firefly irony - I had never before fully appreciated just how much elegant black comedy there is in this movement - and a Finale of furious energy and force painted in colours all the more disturbing for being diaphanous and evanescent (but where was the third hammer-stroke?). It's probably unfair to reproach this performance with incompleteness: it had more life, power, and Mahlerian sympathy in it than most of London's Mahler readings strung end to end. But then, it's probably also a compliment to Rattle that he has come to require such exigent standards of measurement.

The Philharmonia had compiled an extraordinarily bleak, death-haunted programme for Monday's concert - Mahler 6 preceded by the Berg Violin Concerto, two kin works (a whole column of type could be used up in describing their family links traits) of "extreme" character which are at the same time two exceptionally taut, finely-wrought musical structures. Itzhak Perlman, in strangely mutted, insecure form to begin with, soon rose to his role as protagonist of this Berg requiem with beautiful delicacy and finesse; but one never felt that the partnership between soloist, conductor, and orchestra had completely settled and solidified. Altogether, a hugely rewarding, faintly frustrating concert.

The first biography of the conductor claimed by its author to be "without question one of the most brilliant musicians of his generation" has just been published: Simon Rattle - The Making of a Conductor by Nicholas Kenyon (Faber, £12.95). It is a disappointment. I do not dispute the author's claim, and agree with his preface remark that an "official" biography of a 32-year-old conductor, however remarkable, would be absurdly premature; but I part company with him in his conviction that this "provisional" one serves any clear or valuable purpose.

Mr Kenyon, music critic of *The Observer* and a former contributor to this Arts page, is a first-rate writer, but even he is stretched to make the tale of youthful prodigy enjoying success after success (plus the few inevitable hitches along the way) interesting. The book is padded out, scissors-and-paste style, with chunks of direct quotation from Rattle colleagues, mentors, and critics; "you won't find much here about what Simon Rattle has for breakfast," the author insists, though the domestic detail with the coffee machine in Chapter Eight proves him wrong.

BBC Philharmonic/Barbican

Paul Driver

Luciano Berio, who wrote his viola and orchestra piece, *Voci*, for the BBC Philharmonic a year or two ago, is currently conducting them in concerts in Manchester, where the UK premiere of his latest orchestral work, *Formazioni*, was given last Tuesday, and on Monday night at the Barbican Hall. London audiences were not treated to the new work, but they got another UK premiere and a programme that had an altogether odd feel to it.

It began, conventionally enough, with a Haydn symphony, number 90 in C, which is an immensely engaging and energetic work with perhaps a few Berio-like features. But the next item far more explicitly invited us to draw parallels between composer and conductor: Berio's own arrangement (1986) of Brahms's Opus 120, No. 1, the clarinet sonata in F minor being heard in this country for the first time. Leaving the solo part unaltered, Berio has recreated Brahms's piano accompaniment in a way designed to suggest Brahms's own orchestral style and something of the subtleties of his late piano writing. Berio has succeeded superbly in his aim, and convincingly raised a sonata to the power of a concerto. He has spiced the music with himself, but has manifestly performed a great faithful service to Brahms.

Most memorable and moving is the realisation of the slow movement, whose falling theme of quintessential clarinet mellowness is subtly echoed by an orchestral clarinet at one point, and subsequently passed from flute to oboe to violins. A passage in the finale had a russet autumnal melancholy that is utterly authentic to Brahms, and yet at the same time seemed to be peeping out from between quotation marks. Yet quotation marks are much fewer and more discreet here than in the orchestral version of Brahms's G minor piano quartet made by Berio's precursor as a Brahms arranger, Arnold Schoenberg.

Sabine Meyer was a passionately eloquent clarinet soloist. The sisters Katia and Marielle Labeque made a lively entrance after the interval to give a formidably accomplished performance of Berio's Concerto for Two Pianos and Orchestra (1972), or perhaps it should be "Continuum" for two pianos and orchestra, so dense, unrelieved, and static are the distinctive tremolando textures of the work. It is a penetrating and radical study of orchestral texture and its violent, noisy climaxes - cleanly achieved under the composer's guidance - were like marvellous palimpsests of sound.

Dangerous Obsession/Apollo

Michael Coveney

Good thrillers, like Anthony Shaffer's *Sleuth* or Ira Levin's *Deathtrap*, have an honourable place in the West End. Badly written rubbish like N J Crisp's *Dangerous Obsession* is an insult even to the most undemanding Japanese tourist. It goes nowhere slowly for an hour, releases explanatory information with reluctance, deals in dialogue of a banality witless enough to make *A Man For All Seasons* sound scintillating, and reeks of the old-fashioned Sunday night thriller format on the box.

Sally Driscoll (Carol Drinkwater) is discovered watering her plants in a Home Counties conservatory. She is wearing a black swimming costume and, as she bends over to sprinkle a wandering sailor, a funny clerical man with glasses, John Barrett (Dinsdale Landen), appears at the window. He is obviously a pervert, a rapist or a murderer. Spookiness is enhanced by Sally's choice of music while she works, a tempestuous passage from Ravel's *La valse*, a piece that ends in darkness, despair and black, convulsive tumult - which just about sums up the mood in the interval but has little to do with events on stage.

While the intruder plies his hostess with her own gin and tonic, he recollects their meeting at a Torquay business conference. He then witters on about his wife who has been killed in a car accident on her way back from Bournemouth. The couple lived nine miles away on a housing estate; their business association with the Driscolls is never explained.

Mark Driscoll (Jeremy Bulloch) arrives home and reaches for a drink while Barrett reaches for a gun, a Smith and Wesson revolver with home made bullets. But Barrett is no Hungerford nutcase, although he is a member of a local gun club. No business deal has gone wrong, but his wife is dead. Driscoll must be implicated and, sure enough, laboriously and then predictably, he is. Mr Landen waves his gun around but Mrs Driscoll, a temptress in the school of Mae West, remains unimpressed. "We can't be friends, not while you're sitting there with that in your hands" she drawls, gaining a weak titter from the enfeebled and easily pleased in the audience. Encouraged by this, she continues "You don't have to point it all the time."

A marriage, already weakened by mistrust and disappointment, is exposed as thoroughly fraudulent and Miss Drinkwater, having been spared a rape, gathers as much dignity about her as she can in her silly bathing suit, stretches her powerful sunburnt legs and looks hurt. As, I trust, did we all.

Dinsdale Landen looked more pained, but he looked that all evening. At first I thought he must be severely constipated, but then I realised this was clenched buttock acting to register manic pedantry and incipient revenge. Mr Landen is too good an actor to prostitute himself like this; I took passing pleasure in his grace notes of glazed, powdery-eyed regret and the finical dusting of dandruff from the jacket collar he has just smoothed over the back of a chair.

Arts guide

November 6-12

Theatre

LONDON

Separation (Hampstead): Powerful sequel to Dust For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production.(722 9301)

The Rover (Mermaid): Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. Plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in.(236 5568/638 8891).

A Man For All Seasons(Savoy):Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren.(836 8888).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (928 2252)

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom.(839 2244, CC379 6131/240 7200)

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes (628 8795)

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399)

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832)

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6585)

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 [illegible]).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line.(977 9020).

A Chorus Line (Shubert): The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match, (239 6200)

Saleroom/Susan Moore

Moghul coin unmoved

So much so for the world's largest precious metal coin becoming the world's most valuable coin ever sold at auction. At Habsburg, Feldman in Geneva on Monday evening the 12 kilo gold 1,000-muhur, minted for the Moghul Emperor Jahangir in Agra in 1613, failed to sell when bidding stopped at SF 8.5 million. Only five such coins are recorded, and the auctioneers had claimed a $10 commission bid already in the bag. The 100-muhur piece also on sale failed to find a new owner.

Christie's and Sotheby's sales in Geneva on Monday proved less of an anticlimax. Top lot at Christie's was a pair of Meissen Augustus Rex celadon fond bottles decorated in the Kakiemon style and dated around 1732. Estimated at SF 80-100,000, they went to a German dealer for SF 120,000. Its nearest rival was a Bottger pear-shaped coffee pot and cover painted in "Eisenrot" with hunting scenes of about 10 years earlier, sold to a London dealer for SF 66,000, well under estimate.

A London dealer also paid SF 55,000 for a Meissen peach-shaped winepot with applied coloured leaves and branch handle and spout. Another Meissen Chinoiserie piece, an Augustus Rex octagonal sugar box and cover painted by J.G. Herold (no similar example recorded) fetched SF 49,000. What was considered the highlight of the sale, an Augustus Rex Chinoiserie bottle vase, painted after Petrus Schenke, failed to reach its reserve and was among the 30 per cent unsold. The sale totalled SF 943,300.

That morning at Sotheby's, the National Museum of Wales secured a Vienna jardiniere signed by Joseph Nigg and painted with a continuous band of brilliant flowers. It sold for double the estimate, SF 57,200 (£21,915). Equally successful was a pear-shaped Chinoiserie Meissen teapot and cover which soared to SF 49,500. But the surprise of the sale was a rare St Cloud figure of a Chinaman, estimated SF 14-19,000, which went to a private US collector for SF 46,200. Some 80 per cent of the lots were sold, for a total of SF 837,282.

Back in London, at Phillips yesterday, Fischer Fine Art paid £68,250 for a 14.5cm high Henry Moore bronze Madonna and Child. One of an edition of seven made in 1943, the macquette is one of several produced as studies for the famous group commissioned by Canon Hussey for St Matthew's, Northampton. It had been bought 42 years ago for £25. Lucien Pissarro's view of the Thames at Richmond fetched £49,5000, while dealer David Messum paid £20,350 for the artist's much earlier "The Village" (1887-88).

At Sotheby's, interior decorators battled for the prize of an album of engravings published in Rome around 1810 of the sculptures and monuments of Antonio Canova. Estimated at a modest £1,200-1,600, its final hammer price was an astounding £11,000.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday November 11 1987

High time for Europe

ONE little-noticed fact about the date chosen by President Reagan and Mr Gorbachev for their summit meeting on December 7 is that it will come immediately after the European summit in Copenhagen on December 4 and 5.

If the European Community were really functioning properly, that would be a rather good piece of timing. It would give the European leaders an excellent opportunity to consider how Europe's interests might be affected by the discussion between the super powers and to make sure that both of them - but especially Europe's ally, the US - were fully aware of Europe's views.

It would also be very useful to have a European summit then, if not sooner, to consider Europe's role in dealing with the present turbulence in the world economy.

The European Community, looked at as a unit, is after all the biggest industrial and commercial power in the world yet its political leaders seem strangely passive in face of what may prove the gravest economic crisis of the post war era. They confine themselves to criticisms of the US or of each other; it hardly seems to occur to them that in such a situation it might be for Europe itself to provide international leadership, or even that the community should be thought of as a single economy.

Farm products

No doubt when they meet in Copenhagen they will talk about the superpower summit, and about the state of the world economy but they are unlikely to come up with more than cautious phrases on either subject because their main attention and energies will be concentrated on something quite different and depressingly familiar,the Common Agricultural Policy and the community budget.

Of course they are quite right to be concentrating on those topics, which are real and urgent and still require a great deal of work. The agriculture ministers who meet again next Monday have to try and reach agreement on "stabiliser" mechanisms to limit expenditure on each and every farm product.

The finance ministers have somehow to agree on a new method of levying the community's "own resources" which will both raise a larger overall sum and distribute the burden more fairly between member states, by taking into account their gross national products, as well as - ideally instead of - the VAT base which reflects consumption not output.

They have also to decide what rebate the UK would still be entitled to under the new system and how the cost of that rebate should be distributed among the other member states. They have to agree on the size of the structural funds, benefiting the southern or peripheral members to reconcile them to the full opening of their frontiers to competition from the more advanced members in 1992.

Serious work

Faced with such an agenda and with only three weeks left to complete it they will be strongly tempted to postpone all or some of the issues yet again and make do with at best a patched up interim solution for 1988.

Yet there is no reason to think any of these problems will get easier to solve next year. Even if the West German Government gives decisive leadership from the chair - a very big if in the light of its recent performance - the French presidential election in May, possibly followed by National Assembly elections in June, could well cause serious work on the European issues to be abandoned until well into the Greek presidency next autumn; and the last Athens summit in 1983 is hardly an auspicious memory.

Until there is a satisfactory long term solution to these issues, they will continue to plague the community and render it incapable of achieving anything significant in any other field.

The UK is rightly insisting on this - but the UK too will have to make some compromises in order to achieve it. For it is vital that the solution be found now. Too much is happening in the world, too much that vitally affects European interests, for the community to risk spending another 18 months showing that it is incapable of putting its own internal house in order.

Ireland after Enniskillen

THERE IS a view of Northern Ireland, held by some politicians and many otherwise well-informed and educated people, that the situation is at times almost too ghastly to contemplate, the problems too complex to allow a rational solution. Such a view may have been reinforced by the murders, for that is what they were, in Enniskillen on Remembrance Day.

When even the IRA is reduced to issuing an apology of a kind for its atrocities, it is not surprising that others should allow their frustrations to come to the surface - whether in the form of a demand for the reintroduction of internment, the ending of the Anglo-Irish Agreement, or simply a feeling that nothing seems to get any better because the killings go on.

Yet however understandable those views are, they are not the whole picture. The IRA is a vicious and powerful organisation but it would be hard to argue that it is any longer winning friends. Enniskillen will indeed have lost it some sympathisers: those people who broadly approve of its ends, while sometimes deploring the means.

Personal reasons

It would be hard to argue convincingly either that British policy towards Northern Ireland over the years has been one of total drift or even entirely of one failed initiative after another. On the contrary, there has been a steady growth of understanding of the problem in both London and Dublin. The problem is that the IRA is just as much of a threat to the Republic of Ireland as it is to the United Kingdom. It is the common enemy.

Nor is the problem any longer regarded as peripheral by British ministers. A range of senior members of the Cabinet has had experience of it: Sir Geoffrey Howe, the Foreign Secretary, and Mr Douglas Hurd at the Home Office who was previously Secretary of State for Northern Ireland.

Mrs Thatcher, too, has her own personal reasons for being closely involved since she was so nearly one of the IRA's victims. Without her direct participation it is unlikely that there would have been an Anglo-Irish Agreement.

Relations between London and Dublin have changed as well. The two governments no longer snipe at each other. On the whole, they treat each other with respect, as behoves fellow members of the European Community. They co-operate on security, and it turns out to make very little difference in practice whether the Irish Prime Minister is Dr Garrett FitzGerald or Mr Charles Haughey. Indeed it was during one of Mr Haughey's earlier periods of office when the closer security cooperation began.

New measure

It is obviously not enough. If it were, there may have been no Enniskillen, though one should not forget the successes, such as the seizure of a ship bearing quantities of arms for the IRA earlier this month.

The co-operation will have to be increased, but it would be wrong to see that as a conclusion drawn only on the British side. Where Dublin is under test, even more now than it was last week, is whether the Irish Parliament will ratify the European Convention on the Suppression of Terrorism due to go before it on December 1.

In effect, it means agreeing to extradition, and although extradition already takes place under other procedures, the symbolism of the Parliament refusing to approve the new measure in present circumstances would be appalling.

Where the British Government is under test is in the north. It has still not persuaded sufficient of the unionist population that the Anglo-Irish Agreement does not portend a united Ireland, nor anything like it. It could even pave the way for devolution. The people who most obstinately refuse to see that are the unionist leaders rather than the electorate as a whole.

Thus the British Government will have to go on with its task of persuasion. There should be few obstacles from Dublin. It is also open to the unionists to ask themselves whether they are being well led by Mr Ian Paisley or even the quieter Mr James Molyneaux.

"In Washington we were all hugging each other, saying how good the strategy was": (l to r) James Baker, Gerhard Stoltenberg, Edouard Balladur, Nigel Lawson, Giuliano Amato, Michael Wilson and Kiichi Miyazawa.

Philip Stephens finds that the public facade of the world's central bankers masks a deep mistrust

It happens to the best of friends

IT IS EASY to imagine the scene perhaps two weeks or so from now.

The world's leading finance ministers emerge into the glare of television lights clutching a communique which declares that international economic policy co-operation has never been stronger.

Mr James Baker, the US Treasury Secretary, accepts the plaudits of his colleagues for securing a substantial reduction in the US budget deficit.

Japan promises to conjure up another of the now-familiar packages of measures to stimulate its economy. West Germany signals that tax cuts due in 1990 may be brought forward and that interest rates will be kept down.

The flickering screens in foreign exchange dealing rooms around the world carry the message that the Group of Seven nations have agreed once again to "foster exchange rate stability around current levels".

Anyone who has followed the twists and turns of such co-operation over the last few years could probably write the communique now.

Of course, this public reconciliation between the US, Japan, West Germany, France, Britain, Italy and Canada is not guaranteed.

Mr Baker has told his colleagues in Europe that he hopes to secure a deal with Congress on sizeable cuts in the US budget deficit by November 15, five days ahead of the deadline set by the Gramm-Rudman-Hollings deficit-reduction law.

Mr Nigel Lawson, Britain's Chancellor, believes that finance ministers of the seven could meet to reaffirm February's Louvre accord within a week or so of such a deal in the US.

As yet, however, the signals from Washington suggest it is still uncertain whether the White House and Congress will agree cuts significantly above the $23bn demanded by Gramm-Rudman-Hollings, or whether an accord will include the tax increases that America's partners believe are essential to restore confidence.

Continuing turmoil in financial markets as both the dollar and equity prices pursue their slide could rekindle recent strains between governments, disrupting any plans for a carefully orchestrated display of unanimity.

Against that background, Mr Lawson's timescale is regarded in both Washington and other European capitals as over-ambitious.

There is, however, an almost universal expectation among senior officials that, sooner or later, mutual self-interest will reassert itself. The increasing possibility that events in the markets could drive the world economy into recession is a risk that no one can afford to ignore.

At a meeting in Paris next week, the leading industrial countries will be told by the Organisation for Economic Co-operation and Development that growth of about 2 per cent next year is the best they can hope for. And that may turn out to be over-optimistic.

"We have to meet, even if it is only a damage-limitation exercise," one senior European central banker commented after the latest round of speculation against the dollar.

The bad-tempered rhetoric that has characterised relations between the US and Europe over much of the past few weeks is already being toned down. Mr Lawson, for example, insists that the vociferous criticism he directed at the US last week was not aimed at Mr Baker or President Ronald Reagan, but at the failure of the American political process.

But the events of the last few weeks look certain to leave permanent scars, both in terms of mistrust between some of the key governments, and, following from that, in terms of what can be expected from any new agreement.

The atmosphere of mutual congratulation seen at the annual meeting of the International Monetary Fund only six weeks ago has soured.

"In Washington we were all hugging each other, saying how good the strategy was. Exchange rates were fine where they were. That, of course, has now been completely thrown out," says one participant in G-7 meetings.

Another European central banker confessed that there had been no contingency planning at the IMF talks for a dollar fall. Other - almost invariably unattributable - comments during the past few days from senior monetary and finance ministry officials capture some of the flavour of their more recent private conversations.

Mr Baker's suggestion last week in a newspaper interview that the US would accept a further dollar devaluation rather than risk a recession was seen on the European side of the Atlantic as a major blow to the Louvre accord.

"In trying to prevent a recession in the US, they could cause one here," one European policymaker commented. It was a blunt reminder, another said, that in the run-up to next year's presidential election, the US Administration would always put domestic considerations ahead of its international obligations.

A third official wondered whether European central banks should stop buying dollars and instead start selling them: "Then Mr Baker might have second thoughts".

The unwillingness of the Federal Reserve to give more than sporadic support to efforts to stabilise the dollar through intervention is similarly criticised. Explaining why European central banks had scaled down their own operations in the markets one official commented: "As soon as the Bundesbank takes a dollar out of the market, the US just prints another. What's the point?"

Mr Lawson has made a similar observation. He believes that any renewed currency accord must include a firm and public pledge from Washington to play its part in supporting the dollar - perhaps underpinned by an issue of foreign currency bonds.

The low public profile adopted by Mr Alan Greenspan, chairman of the Federal Reserve, is also a cause for resentment. "He (Mr Baker) speaks as if the Fed does not exist any more...My own feelings are that we will need a cooling off period before we meet," remarked one of the central bankers who will be responsible for preparing any gathering of the seven.

A rather more oblique sign of frayed nerves came at this week's meeting of central bank heads in Basle. Mr Robin Leigh-Pemberton, the normally genial Governor of the Bank of England, felt compelled to snap at reporters: "This is a private meeting of central bankers. Your presence here is not constructive."

The similarly mild-mannered Mr Kiichi Miyazawa, Japan's Finance Minister, also seems to be running out of patience, and yesterday launched a strident public attack on the US's failure to tackle its budget deficit.

In Washington, however, the perspective is very different. For any meeting of the G-7 to be worthwhile, "we need policy substance from all the main players," an Administration official said this week.

"Everyone seems bemused as they wait for us (to secure a budget deal)," the official said. "I don't see very much planning going on about what they are going to put on the table."

The clear message is that the US Administration is not going to agree to a meeting that simply endorses cuts in its budget deficit and then calls for a commitment to currency stability. With the US trade deficit still running at over $15bn a month and the parallel surpluses in Japan and West Germany shrinking only fractionally, that is not an option which Mr Baker can consider.

Japan and West Germany will have to produce commitments to maintain the momentum of growth in their economies, and the US has some specific pledges in mind.

The Tokyo Government will be expected to agree that its budget for the 1988 financial year beginning next April will be at least as expansionary as the combination of its original 1987 budget and a subsequent Y6,000bn (£24.9bn) package of additional measures. "We want a continuing commitment to expansion," the US official remarked. Washington is also anxious that there should be a strong commitment to further tax reform in Japan to stimulate domestic consumption.

From West Germany, the US will seek a firm undertaking that the Bundesbank will continue to pursue an easier monetary stance. Pressure on Bonn for tax cuts due in 1990 to be brought forward seems inevitable, while the US also wants a review of policies in such areas as labour market practices and capital markets taxation.

As significant as these immediate issues, however, is the clear implication from recent events that the Louvre accord never was, and is still unlikely to be, quite what financial markets thought it was. It is a much looser accord than has been generally recognised - an agreement always open to a wide range of different national interpretations.

So while European officials have been castigating Mr Baker for putting domestic political considerations ahead of international co-operation, Washington has insisted that it is still a firm supporter of the February accord.

Mr David Mulford, Assistant Secretary of the Treasury for International Affairs, squared the apparent circle in testimony last week to the US Congress. He made it clear that the US view was that the focus of the Louvre agreement was to secure policy changes conducive to more balanced world economic growth rather than on simply stabilising exchange rates.

Any rigid exchange rate objectives would be counter-productive. "We have refrained from establishing a system of target zones or ranges," he said. The implication is that the US regards the dollar's sharp decline over the past two weeks as entirely consistent with its commitments.

One of the many ironies of the past few weeks is that this rejection of the idea that governments should move to a more rigid system of exchange rates management has been voiced equally firmly by West Germany.

In a statement of policy in New York last week, Mr Karl Otto Poehl, the Bundesbank's president, made the point succinctly: "Over-ambitious commitments to peg certain exchange rate levels or target zones run the risk, not only of clashing with domestic monetary policy objectives, but of collapsing when the markets test them. Central banks and governments can easily lose their credibility in such a process."

The mistake since February, the Bundesbank believes, has been to allow foreign exchange markets to think that currency rates were more or less fixed. That substantially eroded its control over interest-rate policy.

Therefore Mr Lawson's ambitious plans for a formal system of "managed floating" for the major currencies will clearly not be on the agenda when the seven make their next appearance before the cameras.

The final irony, however, is that, as long as its remains manageable, the recent fall in the dollar's value is likely to strengthen rather than diminish both the case for, and central banks' ability to promote, stability on the markets.

Combined with a credible reduction in the US budget deficit, slower domestic growth in the US, and efforts at least to prevent any slowing in the pace of activity in the surplus countries, it could provide the visible improvement in trade imbalances which has proved so elusive.

The question is whether governments and central banks will seize the opportunity before the turmoil on financial markets takes it away from them.

Men and Matters

Kerb trading in New York

Having weathered last month's financial storm, the New York Stock Exchange was forced yesterday to invoke emergency procedures designed for blizzards and hurricanes.

Outside, in a cold drizzle, were 1,400 striking clerical workers. Inside were management and supervisory personnel, long trained to take on junior jobs in the event of market-threatening natural disasters, and struggling to keep the trades flowing

"We think we are prepared to cover the floor indefinitely," a senior stock exchange official said.

Similar procedures were also triggered at the strike-affected New York Futures Exchange, and Securities Industry Automation Corp which clears trades. Fortunately, the trading volume has fallen to normal levels, down two-thirds from the 600m shares a day recorded on Black Monday and Tuesday.

Officials at all three institutions are nervous,though, lest trading suddenly turns manic again

Perhaps the strikers feel the October massacre has shortened their life expectancy. Anyway pensions are the primary issue.

They want half-pay for staff retiring at 55.

Their employers are sticking at one-third pay but have offered to make some adjustment to the minimum retirement age

Quinn's bond

"If you've been in this business all your life you can't jack it in," says corporate bond expert, Tom Quinn, one of many refugees from brokers W. Greenwell after the disagreements with owners Midland Bank. Released last spring from his golden handcuffs at Greenwell (he spent nearly 20 years at the firm) but ordered to take a six-month break, Quinn turned up this week at Barclays de Zoete Wedd adding, at 48, a few grey hairs to the yuppie ranks on the bond trading floor.

Travels in France and the US failed to cure Quinn's appetite for deals. "You miss the competitiveness," he says, adding that BZW offers the right combination of market making, distribution and banking. His timing could scarcely have been better, with the equity market in disarray but bonds going through the roof. Now that gilt-edged yields are below 9 per cent and falling, corporate treasurers have a rare opportunity to borrow in the bond market at single digit interest rates.

A revival in the sterling corporate bond market has been just around the corner for a good many years now, but Quinn licks his lips at the scope for persuading newly privatised utilities like British Telecom and British Gas to issue bonds. "Privatisation isn't just about equities," he says. But surely corporate treasurers are currently rolling in cash? "People should borrow when they don't need it," Quinn insists.

Play bill

Training actors to imitate financial wheeler-dealers can be a risky business, as the management of the Royal Court theatre has just discovered to its cost with the cast of Caryl Churchill's West End hit, Serious Money.

After a 19-week run, the cast of eight - replaced by fresh actors at Wyndham's Theatre - is taking a week-long break before flying the Atlantic to perform the satire on the ways of the City as part of the New York Shakespeare Festival.

But having made nightly imitations of Liffe dealers and market makers driving hard bargains and earning untold riches, the cast did not take kindly to the suggestion that they should not be paid for their week off.

Brisk negotiations ensued through the actors' union, Equity, and the actors won the day.

"If you can't stand the bullying, why don't you run away and join the Army?"

They are to be paid for a week of rehearsal - the bill being split between the Royal Court's English Stage Company and the New York production company.

Graham Cowley, the English Stage Company's general manager, is sanguine about the upset. "It was all quite friendly. I would not dignify it with the name of a dispute," he says.

Genius deferred

Christopher Peach, aged 16, schoolboy by profession, managed to lose £20,000 on the stock market in the recent crash.

Now he is learning another lesson - that audacity can bring its own rewards.

Calling him a "schoolboy genius" (I can't think why) a financial firm has offered him a job. The offer also includes a crash course in "fiscal prudency". Now that makes more sense.

Manchester-based Croxley Securities says it will find work for him at an associate company in the City of London during his summer holidays next year. He will be paid about £100 a week while more experienced hands teach him when to sell and buy.

The firm is also offering to arrange a cheap second mortgage for Christopher's parents so that they do not have to sell the family home in Matlock, Derbyshire, to pay off the debt.

The fifth-former owed stockbrokers £20,000 after a spree of telephone dealing, mostly conducted from his school payphone during his lunch breaks.

Stephen Palmer of Croxley says, "We will teach him fiscal management and fiscal prudence. We don't want him to be put off buying and selling shares because of what has happened. "It was an ill-timed venture into the Stock Market - but no-one else saw it coming either".

Fair exchange

The volatile foreign exchange rate has some curious effects in unexpected corners of Britain's daily life.

It has, for instance, brought to an end one of the most thrilling funfair rides in the country - the stomach-churning,50mph, 360-degree turn around the Looping Star in the Pleasureland at Southport on the Lancashire coast.

The Dutch company,Benbom Brothers, which also has amusement interests in Margaté, brought the Looping Star to Southport on a concessionary basis in April,1985. But since then the sterling exchange rate has fallen from 4.36 guilders to 3.35,cutting the val;ue of British takings to the Dutch by more than a quarter.

The company is now dismantling the funfair ride and shipping it to the South of France because, it says, it is no longer economic to keep it in Britain.

A la carte

Seen on a red truck delivering to a City wine bar - "Van Rouge".

Observer

The streets of Beirut have become an economic battlefront. Nora Boustany reports

Now the fight is for survival

TO EAT, militiamen now sell their guns. Socialites hawk their jewellery; parents tell their children they cannot go to school any more. Frail old people pick over scattered mounds of refuse in the streets and alleys.

These are some of the more obvious signs that Lebanon's long-running political crisis has at last become a full-scale economic crisis as well, affecting all but the super-rich. Increasing numbers of families can no longer afford food, medicines or education. More than a third of Beirut's 1.2m people need assistance, according to Hans Einhaux, director of the United Nations Disaster and Relief Organisation. For many, a new battle has superseded the street fighting: a struggle to survive.

The immediate cause of the trouble is a dizzy depreciation of the Lebanese pound. Until this year, the currency had seemed remarkably resilient. Despite more than a decade of civil war and political paralysis, it was supported by a flow of remittances and donations from other Arab countries and by a residue of confidence among Lebanese expatriates that the strife would end one day, leading to a reconstruction boom.

The downward trend began about two years ago, but since the start of 1987 the pound has plummeted by more than 80 per cent. The currency's collapse was a major grievance behind a five-day general strike which ended yesterday.

The US dollar - worth 3.5 pounds in 1984 - will now buy 550. The most dramatic fall set in last summer following the assassination of Prime Minister Rashid Karami, which seemed to represent the death knell for any semblance of central authority. In the last few months, confidence has all but disappeared, and hectic speculation and frantic hoarding have taken over. The central bank, which used to intervene heavily in the market and spent $2bn from its hard currency reserves in 1983-84, has given up trying to do more than iron out short term fluctuations.

The American dollar has come to dominate economic life. A high proportion of deposits in the Lebanese banking system is now denominated in foreign currencies, mainly the dollar. It is the currency in which property transactions are carried out, and most shops even quote the prices of locally-manufactured or home-grown produce in dollars as well as Lebanese pounds.

Wary of long-term investments, most of Lebanon's 91 banks have shifted their activities to lending for speculative purposes: Investors and industrialists are discouraged from expanding their businesses.

"No one is willing to hold on to his Lebanese pounds from four o'clock in the afternoon until eight the next morning," says one banker.

On every street corner, there are makeshift currency booths, outlets for foreign exchange companies dealing in millions of dollars daily; street vendors keep their ears glued to the radio for the latest currency quotations in order to be able to explain the latest jump in the price of potatoes to haggling housewives.

Inflation has spiralled from a range of 10-20 per cent per year in 1981-84 to 95 per cent in 1986 and an annual rate as high as 400 per cent in the first quarter of 1987, according to International Monetary Fund figures. "We have entered the era of hyperinflation," says Nadim Mounla, a former professor of economics at the American University of Beirut and now a financial consultant.

Two successive leaps of 40 per cent and 100 per cent in the minimum wage this year have failed to keep pace with the soaring day-to-day expenses of most households, and have further fuelled inflation.

The day after the latest wage rise was announced last month, the dollar rose by 22 pounds and people rushed to supermarkets to stock up and beat further increases. "It was like doomsday," says Patrick Smith, owner of Smith's supermarket. "There was a rush on everything from toilet paper rolls to bottles of scotch. Every time the dollar goes up, the inflation rate gets much worse. Everyone in town with six months' disposable income is either going to spend it or change it into dollars. We have to send money to the bank in huge garbage bags each morning. In London, the same amount in sterling fits into my shirt pocket."

The effect on low and even middle-income people has been devastating. Some families are eliminating meat, eggs, cheese and fruit from their diets; instead of luxuries, consumers are buying such staples as lentils, sugar and rice. One kilogram of beef went up to 1,200 Lebanese pounds, compared with the minimum monthly wage of 4,300 pounds, before the latest adjustment.

Increasing numbers of people are in need of food aid. "Swarms of people stand outside our offices every day asking for food. Our staff are seeing families, especially children, beginning to show signs of malnutrition," says Marwan Sidani, the director of a US-funded $15m food distribution programme managed by the charity Save the Children.

Paying for medicines, the bulk of which are imported, is also becoming a chronic problem. A pharmacist says: "People come in and when their bill is rung up, they drop everything and walk out. Others leave the balance unpaid and never return."

Money changers, some of whom double as jewellers on Hamra street, see men and women coming in daily to sell valuables and gold trinkets, sometimes their wedding rings. One indicator of how poor people are getting is that the Beirut garbage collection agency has 60 per cent less rubbish to worry about. "People sift through bottles, paper, cardboard and tins, while others gather rotten food and leftovers," says the agency's director.

Even the militiamen are suffering. Fighters from Beirut's southern suburbs admit selling their guns to make ends meet. "Our parties can no longer help us. How else are we to put food on the table - there is not much left to steal," says one. When word went round the Druze community that Libya was prepared to pay between $500 and $1,000 a month to recruits to help it fight Chad, 4,000 young men were reported to have enrolled.

"We are not dealing with the political or economic problems proper now. What we are trying to do is alleviate the suffering of the swelling number of deprived Lebanese citizens. We are addressing ourselves to the poor," says Selim Hoss, the acting Prime Minister, who has proposed emergency food assistance through Lebanon's state school system.

In some respects, the malaise is baffling. Lebanon's foreign debt is negligible. Its gold reserves are estimated to be worth $4.5bn, though its foreign currency reserves have shrunk at best $190m. On paper, at least, the balance of payments is in surplus and exports of such industrial products as jewellery, leather goods and clothing are booming. But so, too, is capital flight, prompted by the country's intractable political problems.

The Government is virtually helpless. It has not held a full cabinet meeting since 1985 and Moslem and Christian leaders remain in a state of deadlock. And while this stalemate lies at the root of the loss of economic confidence, it also means that the authorities are in no position to deal with its consequences.

On the pound, they have little or no scope for action. Economists agree that any attempt to impose controls on Lebanon's traditionally open money markets would merely succeed in driving out the remaining foreign currency. The central bank has failed to combat speculation - in any case, its banking control services are under-staffed and without a director. As a result, there is almost unlimited scope for dubious speculative wheezes, ranging from the use of post-dated cheques to buy dollars to the dumping of bad debts from abroad on the Lebanese banking system.

One much-publicised proposal to restore confidence, touted by Mr Hoss last June, was for Lebanon to sell one fifth of its gold reserves and use the interest on the proceeds to finance public spending. But this idea, too, has fallen victim to political in-fighting.

"Gold should not be used until such a time as we have a Government and we are reconstructing the country," says one leading economist.

With the erosion of central authority and the division of the economy into local militia fiefdoms, public finances have been seriously undermined. Annual expenditure has been rising by almost 40 per cent as the Government struggles to provide basic services and to subsidise bread and petrol. But revenue sources have been drying up.

Customs revenues used to account for 40 per cent of public expenditure. Now many of Lebanon's ports and roads are under the control of private militias and official customs receipts have dwindled. Only half of the country's electricity bills are paid and income tax collection remains difficult.

In effect, the economy has become cantonised, just as politically Lebanon has all but ceased to exist as a unitary state. Until the far-off day when central authority is restored, says Mr Mounla, "Lebanon will be like a bankrupt billionaire."

The US budget deficit

Europe's dangerous obsession

By Paul Craig Roberts

LEADERS IN the UK and Europe have called for US action to reduce its budget deficit as "the most important single thing" needed to restore stability to international financial markets. By helping to divert attention from monetary policy to fiscal policy, this view could lead the world into recession.

Undue concern about the US budget deficit is not justified by the facts. In the fiscal year that ended in October, the US budget deficit declined by one-third, a drop of $73bn below the previous year's level and $25bn below the forecast. Despite the one-third reduction in the deficit, US interest rates were higher this year than last year. Prior to the global stock market crash, US interest rates had risen 42 per cent this year.

Moreover, from May to October the interest rate on West German government bonds rose 36 per cent and the interest rate on Japanese government bonds more than doubled. Concern over US deficits and a declining dollar cannot explain the high interest rate policy of countries with appreciating currencies, moderate budget deficits and large trade surpluses. It was absurd for central banks to act as if world inflation could result from a dollar exchange rate adjustment. Their high interest rate policy collapsed the global equity market.

The hue and cry over the US deficit is even more astonishing when we consider the fact that the US deficit to GNP ratio is not out of line with other members of the Group of Seven major industrial nations. The appropriate measure of government dissaving is the general government budget deficit. In the US, state and local governments have a net budget surplus. When this surplus is offset against federal deficits, the ratio of general government deficit to GNP is lower in the US than in the UK and France - two countries that have had a lot to say recently about American deficits.

As the table shows, only Japan has a notably lower ratio and that has been true only since 1985. Prior to 1985, Japan had large budget deficits and large trade surpluses, the former reaching 3.7 per cent of GNP in 1983 compared with 3.8 per cent in the US in the same year. This confounds the argument that budget deficits cause trade deficits. The forecasts for 1987 and 1988 do not reflect the German economic slowdown and understate the German budget deficit.

It is even more revealing to compare the growth of total federal debt as a share of GNP for the G-7 countries. Data from the Bank of International Settlements show that from 1973 to 1986 - a period comprising the largest deficits in US history - only the UK experienced a lower growth in the ratio. In the US, the ratio rose 41 per cent, but in "fiscally responsible" Germany and Japan, the ratio rose 121 per cent and 194 per cent.

There are additional myths about the US budget deficit that misinform world economic policy. It is widely asserted that the US is a debtor nation increasingly dependent upon foreigners to finance its budget deficit. This belief overlooks many facts. As a result of the collapse of US capital outflows in the 1980s, the US is financing its own budget deficit. And although foreigners do hold rising amounts of US federal debt, in percentage terms foreign holdings peaked in 1979 and declined in the 1980s.

The "debtor nation" status of the US is itself a product of comparing older book values of US direct investments abroad with more recent market values of foreign owned US assets. Last year, US income from its foreign assets exceeded the income paid to foreigners by $21bn. The latest trade figures show that the US continues to be a net recipient of investment income.

The Reagan economy has enjoyed a record 5-year expansion that has created 13m new jobs while inflation and interest rates fell. From 1982, when the economy emerged from recession, gross fixed investment had risen as a percentage of GNP. Since 1982, US imports of capital goods have tripled, rising from $35bn to $110bn. The increase in the importation of capital goods accounts for one-half of the US trade deficit.

The statistical facts are inconsistent with the picture of the US economy as a consumption-driven machine fuelled by large deficits threatening the world with inflation.

During 1987 money supply growth in the US abruptly slowed and practically halted. Astonishingly, the subsequent rise in interest rates was misinterpreted by Federal Reserve officials as a sign of rising inflation expectations. This mistake led to another. In September, the Federal Reserve raised the discount rate believing that this action would reassure the markets and stabilise, if not reduce, long-term interest rates. Instead, interest rates moved up sharply. Confronted with an increasingly tight monetary policy, the stock market forecast recession and sold off. After the decline was under way, the Germans raised interest rates again, causing a panic.

These extraordinary mistakes in monetary policy could not have occurred if leaders had not been distracted by deficit mania. It is mindless for policymakers to lead the world into recession as an antidote to the US deficit.

The author is senior political economist at the Center for Strategic & International Studies in Washington DC.

GENERAL GOVERNMENT BUDGET DEFICITS (as % of nominal GNP/GDP)

	1985	1986	1987*	1988*
US	3.3	3.5	2.4	1.8
Japan	0.8	0.9	0.9	0.2
W.Germany	1.1	1.2	1.5	2.0
France	2.6	2.9	2.7	2.5
UK	2.7	2.9	2.7	2.7
Italy	14.0	12.6	12.6	12.2
Canada	6.6	5.4	4.9	4.6

Source: OECD Economic Outlook, June 1987. Data are on a standardised System of National Accounts basis, except for US & UK, where national data are used. *OECD forecasts, except for US, which reflect Administration August 1987 forecasts updated for 1987 actual deficit.

Letters to the Editor

Exchange rate stability

From Mr David Morrison

Sir, Some clarification would seem to be necessary regarding whether or not exchange rate stability promotes instability in other capital markets, like bonds and equities (Lex, November 6; editorial, November 7). The short answer is: of course it does if the exchange rate stability is unjustified by fundamentals. Since, perhaps, $100bn has been spent by central banks supporting the dollar during the Louvre Accord period the resulting fx stability cannot be described as natural or fundamental. The period of the Louvre Accord from March to mid-October of this year did witness incredible stability in the key DM/$ and Y/$ exchange rates. Over the same period, the measured volatility of many of the world's major equity and bond markets rose dramatically relative to the six months before the Louvre Accord. It is a well-known result in international economic theory that if exchange rates are being pegged at inappropriate levels then faced with most external shocks, the volatility will be transferred from currencies to real variables like output and employment, and nominal variables like interest rates. Via the yield link with equities, stockmarkets can also be expected to suffer. There is both theoretical and empirical support for this view, which is why Herr Poehl, President of the Bundesbank, holds it, and to describe it as "manifest poppycock" (Lex, November 6) is to disregard the evidence.

I would also like to point out that this proposition does not imply the corollary, ie that exchange rate instability would promote stockmarket stability. The failure to appreciate this is equivalent to being unable to understand that the phrase "all tall men have long arms" does not imply that all men with long arms are tall. The point is that faced with divergences in economic policy and performance among the major countries, asset prices will be volatile. If one major asset price, eg the exchange rate, is artificially fixed then other asset prices will display additional turbulence - their own plus that which "belongs" to foreign exchange. If all asset prices are left free to move then firstly, the resulting volatility will be distributed more evenly across markets and secondly, once international policy and performance converge, all markets will be less volatile.

The three weeks of financial turbulence just experienced are a microcosm of the above points. In week one, the dollar was broadly flat while equities and bonds were all over the place. In weeks two and three, the dollar collapsed and the other markets were generally less volatile. The exchange rate should be allowed to do its job as an adjustment mechanism and not be fixed in an ad hoc, inappropriate and damaging fashion.

David Morrison,
Chief International Economist,
Goldman Sachs International Corp,
5 Old Bailey, EC4

Comparing fuel prices

From Dr Chris Heryet

Sir, May I suggest that a little glasnost could help in the UK fuel price debate? The recent announcement of a 15 per cent electricity price rise coincided with the advertising industry's latest assault on my letter-box in the name of the economy of electricity. This combination of injury and insult prompted me to compare gas and electricity prices. I was frustrated but not thwarted by the use of different units for the two forms of energy.

Your readers may like to know that the present price of gas (36.3p per therm) is equivalent to 1.24p for one kW-hour (the charging unit for electricity). This is obviously much less than both the 5.09p per kW-hour charge for standard domestic rate electricity and the 1.90p per kW-hour Economy 7 night rate.

In view of the relatively short life expectancy of cheap gas from the North Sea, it would be unwise to provoke a widescale change from electricity to gas. However, I do not believe that the public should be kept in the dark about prices by the subtle yet often effective expedient of using different units for the two forms of energy. A single unit would make price comparison much easier and, as an interim measure, I suggest wider publicity for the following conversion: one therm (ie, one unit of gas) is the energy equivalent to 29.3 kW-hours (ie, 29.3 units of electricity).

C. D. Heryet,
29 Grahame Close,
Blewbury, Oxon

Tax-deductible advice

From Mr Ian Ferguson

Sir, The Inland Revenue allow accountants' fees to be a deductable expense for private individuals as it does with corporate taxation. When an individual is made redundant the company may pay for such a person to receive counselling advice to get another job and this is also a deductable expense. However, there is no way the Revenue office will allow an individual to deduct such an expense from earnings even though this is likely to produce another job that much quicker and save the Government unemployment pay.

It is quite illogical for a person to be allowed to deduct the cost of advice for tax affairs but not for career advice. It is even more illogical that a company can deduct this as an expense when it is not open to an individual to do so unless his company is generous enough to do it for him.

Ian Ferguson,
4 Burns Court,
Marine Parade,
Dawlish, Devon

Clarifying radio frequencies

From The General Manager,
Operations and Engineering
BBC Radio

Sir, Mr Walker's letter about radio frequencies (November 7) displays under one heading nearly all the misconceptions which unfortunately surround this issue.

Leaving aside the subjective area - and I wonder how often Mr Walker listens to either Radio 1 or Radio 2 - let me clarify the facts.

The Government has determined that to transmit the same programmes to the same area on different frequencies is a potential waste of a scarce and irreplaceable natural resource.

In response to this the BBC has recently outlined a strategy which would preserve the existing range of services, present listeners with a less confusing pattern of broadcasting and, in due course, enhance the range of choices available. This would involve the ultimate surrender of some medium wave frequencies but only when alternative users emerge.

As far as Radio 4 is concerned, the BBC will not stop broadcasting on long wave. What we will do over the next few years is complete the VHF transmitter chain for Radio 4 throughout the UK and then move the educational programmes elsewhere so that all Radio 4 listeners will be able to benefit from the improved quality, freedom from interference and stereo that only VHF can bring.

Then we would be in a position to place extended live coverage of Parliament on long wave, avoiding disruption of stereo drama and the like in the main Radio 4 schedule.

As a recent expatriate, Mr Walker will be aware that our European colleagues have concentrated on VHF broadcasting for many years now, and the factors which caused them to abandon medium wave for quality broadcasting apply just as much to us, if a little later because of our geographical separation. long wave, however, is a different type of asset and Mr Walker may rest assured that Radio 4 long wave, only just past its ninth birthday after all, will be found there for very many years to come.

Simon A. Shute,
British Broadcasting Corporation,
Broadcasting House, W1

Hedging BP risks

From Mr Osman Ahsan

Sir, I fear Dr Gemmill (letters, November 5) is being naive if he supposes that the underwriters did not use a variety of the methods he describes in hedging their risk at various points during the market slide.

I hope it is not lost on any taxpayer that the guaranteed floor price on the partly paid shares will give the underwriters a double benefit: the avoidance of losses below the floor price, and the profits on the related hedges.

O. Ahsan,
47 Abbots Gardens, N2

Sign of economy

From Mr Edward Kenyon

Sir, When passing Buckingham Palace yesterday, I witnessed a sign of economy. Regilding is under way and standing amid the articles was a handcart bearing the letters MOPBW, which stands for Ministry of Public Building and Works.

So what is so remarkable you may ask? Nothing, apart from the fact that the MOPBW was replaced by the PSA (Property Services' Agency) in 1972.

Edward Kenyon,
High Street,
Old Town, Stevenage, Herts

Saatchi techniques

From Mr Mike St Aubyn

Sir, In Feona McEwan's article reviewing the recently terminated Saatchi/Conservative Party relationship (October 29) there was one point at which I raised an eyebrow. She quoted the creative director, John Hogarty, himself a former Saatchi employee, as stating that the advertising techniques used in Saatchi's early days for promoting the Health Education Council were a model of how the agency was later to advance the cause of the Conservative Party.

Tories will not be reassured. the Council has since been abolished.

M. St Aubyn,
55 Evesham Road, N11

FINANCIAL TIMES

Wednesday November 11 1987

Soviets uncertain how to deal with Yeltsin

Patrick Cockburn in Moscow on the first real test for Mr Gorbachev's glasnost

Departure of Boris Yeltsin (above) would be a blow to Mikhail Gorbachev

A SOVIET official tore up a picture of Mr Boris Yeltsin in central Moscow on Monday. According to onlookers, he had seized the picture from people collecting signatures in support of the radical Soviet leader whose future is in doubt.

The incident shows the alarm felt by officials of Moscow City Soviet (city council) at signs of popular support for Mr Yeltsin, Communist Party leader for the capital since 1985 and a non-voting member of the Politburo, whose offer to resign in frustration at bureaucratic sabotage of his reforms is being considered by the Moscow party committee this week.

It occurred when a small group, associated with informal political clubs, started to collect signatures in support of Mr Yeltsin from passers-by in "The year 1905" street in the centre of the capital on Monday morning. One was carrying an official picture of him.

In 20 minutes seven members of the group collected 40 signatures. Such activity in the street in support of political petitions is largely unheard of in the Soviet Union. The group was observed but not hampered by the police until an official from Moscow Soviet arrived. He snatched the picture of Mr Yeltsin, tore it in half and demanded that the police arrest those collecting signatures. They were taken to a police station and released two hours later.

The crisis over Mr Yeltsin's future blew up at a meeting of the central committee on October 21 when he is believed to have criticised Mr Yegor Ligachev, number two in the Politburo, for conservatism, and then offered to resign. His offer was referred to the next meeting of the Moscow City party, now expected tomorrow.

The affair has revealed much uncertainty in the minds of authorities about how to deal with expressions of public opinion about Communist Party business. Although the policy of *glasnost* (openness) has led to more freedom of expression on most topics, this is the first real test of how far the Kremlin is willing to let people know about divisions within the leadership.

So far, the Kremlin has reacted by confirming to the foreign and Soviet journalists that Mr Yeltsin offered to resign but it has allowed no mention of this to appear in the Soviet press, television or radio.

Not that this has prevented ordinary people knowing about the Yeltsin affair because full details have been carried on foreign radio broadcasts, which are no longer jammed. But the refusal of the Government to allow any reference to the doubt surrounding the future of Mr Yeltsin, regarded as the most radical and anti-bureaucratic of the leadership, has caused misgivings among supporters of Mr Gorbachev's reform policies.

One petition handed last Sunday to Moscow city council by members of an informal discussion group called Obshchina is probably an accurate reflection of public concern. It describes the failure of the Soviet media to publish statements by senior officials about the affair as "information apartheid" in which foreigners are allowed to know what Muscovites themselves are not told.

The petition also complains that the population of Moscow has to learn about potential changes in the leadership of their city from foreign radio stations.

Another, more radical petition, asks for more meetings between the party leadership and local people; publication of the proceedings of the Communist Party central committee and the Moscow city committee; and the official reception of popular delegations once a required number of signatures have been collected.

Despite misgivings about the secrecy surrounding the fate of Mr Yeltsin, there is a growing belief in the capital that he will stay, at least for the moment. His departure now would be a very serious blow to Mr Mikhail Gorbachev and also damage the Soviet image abroad just before the summit with President Ronald Reagan on December 7.

Mr Gorbachev's hostile reaction to Mr Yeltsin's central committee speech and the failure of the media to mention it probably means that the Soviet leader wants to do everything he can to retain unity at the top a month before the first major economic reforms are introduced in the shape of the state enterprise law on January 1.

But there is also no doubt that Mr Yeltsin's frustration at bureaucratic impediments to reform have highlighted real differences within the Soviet leadership. It also shows that a deep division has now opened between moderate and radical reformers over the past year.

Increasingly, men like Mr Ligachev, strongly committed in the past to cleaning up the system and getting rid of proteges of Mr Leonid Brezhnev, the Soviet leader from 1964 to 1982, have become worried about the radical changes in the system now proposed.

Mr Ligachev's reservations about the course being taken find a ready audience among some 18m Soviet officials (out of a total population of 283m) and, perhaps unconsciously, he has become a symbol for Soviet conservatives as they await the advent of the changes discussed since 1985.

Australians warned on credit ratings

By Stephen Fidler, Euromarkets Correspondent, in London

THE COLLAPSE in share prices worldwide has led Australia's main credit assessment agency, Australian Ratings, to give a warning of an imminent downgrading of the debt of some of the country's best-known corporations.

Australian companies, led by entrepreneurs such as Mr Robert Holmes a Court, have been aggressive buyers of large shareholdings in companies both inside and outside the country.

A re-evaluation of these companies, many of which have financed their share purchases with borrowings, has been triggered by the drop in share prices. Australian shares have been among the worst hit in the worldwide stock market crash, losing almost half of their value since September.

Some companies are more severely affected than others. Mr Duncan Andrews, London-based managing director of Australian Ratings, said: "There has been a tendency for many of these Australian companies to be lumped together, but we are not sure this is appropriate. There are differences between them."

The agency's likely new ratings have the greatest impact on those companies which make their money from trading or manipulating their shareholdings. Other companies, such as Mr John Elliot's Elders IXL and Mr Alan Bond's Bond Corporation, are less likely to be affected because their profits mainly derive from their underlying businesses.

Regarded as among the most vulnerable is the debt of the companies of Mr Robert Holmes a Court, who controls the Bell Group and through it the energy and mining group, Bell Resources. The indications are that the debt of both Bell companies will be downgraded well below investment grade.

Also severely hit are the companies of Mr Bruce Judge, who controls Ariadne and Judge Corporation. The agency has indicated that their debt will also be rated well below investment grade.

More modest downgradings, or even no change, are foreseen in the ratings of Bond and Elders, Mr Ron Brierley's companies - Brierley Investments and Industrial Equity - Mr Allan Hawkins's Equiticorp and Mr Rupert Murdoch's News Corporation.

Australian Ratings said it had made the announcement because it was under pressure from investors to judge on the quality of these companies after the stock market crash.

European Space Agency will go ahead without Britain

BY PETER MARSH IN THE HAGUE

WESTERN Europe yesterday took the historic decision to develop its own vehicles to take people into space by the end of the century - a step that will put the Continent on the same footing as the US and the Soviet Union.

However, the programme will go ahead without the support of Britain, which has stuck doggedly to its position that developing a Western European manned space capability does not make sense commercially.

Britain's isolation was confirmed when it became the only member of the 13-nation European Space Agency not to support any of the three big projects related to manned space flights, to which a ministerial meeting of the agency held in The Hague agreed yesterday.

The three projects, due to cost a total of $13bn by the end of the century, are the Columbus manned space laboratory, the Hermes mini space shuttle, and the Ariane-Five launcher.

Ariane-Five, an improved version of Western Europe's existing Ariane rockets, is vital to the programme because Hermes, a small winged space plane that will sit on top of the launcher, will rely on the rocket for propulsion during its initial launch stages.

Columbus, meanwhile, is the West European contribution to a US-led international manned space station which, as a result of the decision in The Hague, the ESA nations will be able to service using Hermes rather than rely on US vehicles such as the space shuttle.

Mr Heinz Riesenhuber, the West German Technology Minister who acted as chairman of yesterday's meeting, said the decision was "a great step forward" that would inject "a new impulse into Europe."

Mr Riesenhuber, whose government is ESA's second biggest paymaster after France, said a manned space capability would be important in areas such as low-gravity materials processing and biology experiments on space platforms - areas where he said mankind had "only scratched the surface."

The development of both Columbus and Hermes, though not Ariane-Five, will be subject to a review in 1990 to examine costs and the technical direction of the programmes. This would not affect the overall thrust of either project said Mr Riesenhuber.

The European Space Agency also decided to cut, by about 20 per cent, the total $40bn that ESA officials had planned to spend by the end of the century on all agency programmes. These include not just the manned space projects but schemes in telecommunications, earth-mapping satellites and general technology development.

Deliberations on this issue, which ESA officials are to study over the next few months, may affect the rate at which the agency increases its annual spending from $1.7bn to the levels of around $3bn, which the agency believes will be needed in the 1990s.

Professor Reinar Luest, ESA director-general, said the 20 per cent spending cut might mean that some of the projects took longer to finish than planned. But he was confident Hermes would be in orbit by 1998.

'Progress' in Syria and Iraq mediation

By Tony Walker in Amman

JORDAN yesterday reported significant progress in its efforts to reconcile two of the Arab world's most bitter foes.

A press statement read on behalf of Mr Taher al Masri, Jordan's Foreign Minister, said reconciliation talks between Presidents Hafez al Assad of Syria and Saddam Hussein of Iraq promised a "new era" in relations between the estranged neighbours.

Mr al Masri's optimistic statement reflected a buoyant mood among Jordanian organisers of an emergency summit in Amman called to forge a united Arab front on the Gulf War.

Arab observers, however, caution against expecting any sudden withdrawal of Syrian support for Iran in the Gulf War. They said it would be premature to predict a realignment of Arab forces as a consequence of several rounds of discussions between the Iraqi and Syrian leaders in the somewhat overcharged atmosphere of an Arab summit.

But the Jordanian statement suggests that King Hussein's efforts to end deep divisions in the Arab world are making progress. He has said one of the preconditions for establishing a United Arab Front against Iran was the reconciliation of Syria and Iraq.

The Arab heads of state were late yesterday working towards a compromise resolution on the Gulf War that would be acceptable to Syria and Iraq and along the lines of United Nations mediation efforts. It would also condemn attacks on Arab territory.

Representatives of 21 Arab states began meeting in Amman on Sunday in an effort to resolve deep differences that have weakened the Arab stance in international forums.

Iraq has pressed for a tough resolution, condemning Iran and seeking solid Arab support for its struggle. Syria, which backs Iran in the conflict, has sought a less uncompromising form of words that would avoid giving undue offence in Tehran.

Syria, in a tough statement yesterday, indicated it was unprepared to compromise over the question of Egypt's readmission to the Arab League. An official statement said that any attempt to lift Egypt's suspension after it had signed in 1979 the peace treaty with Israel would "annihilate any possible results which might have come out of this conference".

But Damascus will not be able to prevent Arab states after the Amman summit resuming full diplomatic relations with Egypt.

Abu Dhabi in French oil stake

BY PAUL BETTS IN PARIS

THE Abu Dhabi Investment Authority (Abia) has taken a stake of more than 5 per cent in Total Compagnie Francaise des Petroles, the large French oil group.

The Abu Dhabi investment institution is understood to have accumulated its holding in the French oil group over recent months, purchasing some of the shares before the recent stock market collapse.

The move by ABIA, which follows reports of large purchases of BP shares by the Kuwaiti Investment Office, appears to have been prompted by long-term investment considerations by the Abu Dhabi institution.

Total has long had a major presence in Abu Dhabi which forms one of the main pillars of the French oil group's international operations along with Indonesia, the North Sea, and, increasingly, Argentina.

Moreover, Total, which is 35 per cent owned by the French Government, is now reaping the fruits of extensive restructuring. It expects to return in the black this year with consolidated net profits of about FFr2.5bn ($446m) compared with a net loss of FFr1.25bn last year.

On the basis of Total's current capitalisation of about FFr13bn, a 5 per cent stake would be worth about FFr650m. But the Abu Dhabi group probably paid more than this since some of the share purchases are understood to have taken place before the market crash.

Elf-Aquitaine, France's other large state-controlled oil group, also appears to have had discussions with Arab oil producing countries although there has so far been no confirmation of these contacts.

World markets plunge

Continued from Page 1

selling. Over the past two days foreign institutions have been sellers of foreign equities as they move to match domestic liabilities with domestic assets.

Not only have UK and US institutions been liquidating some of their holding of European equities as part of a retreat to home markets, but German institutions have been sellers of the Swiss market, the analysts said. They also noted that European markets have fallen sharply on small volume, and that there has been little sign of any significant retail buying.

The London bond market fell from the highs reached on Monday. Foreign selling overnight, and the lack of any movement in official rates saw the market down nearly a point at the long end.

The Bank of England offered £400m ($712m) of gilts to the market yesterday, in four tranches of £100m. It offered 1992 8 per cent Treasury and 1997 8¾ Treasury stock, and two index-linked stocks - a 2½ Treasury bond maturing in 2001 and a 2½ Treasury bond maturing in 2020.

Dollar fall

Continued from Page 1

what has been happening in the last three or four weeks."

Earlier, in a speech to trade experts, he described exchange and stock market developments over the last month as "a sobering reminder of the fragility of the international economic system."

"Fifty years ago, an escalating trade war contributed to the deepening and lengthening of a worldwide depression. Today, in an ever more interdependent world, a comparable trade war would be disastrous," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	17	63	Dubrovnik	F	19	66	Malta	F	23	73	Rhodes	S	19	66
Algiers	C	16	61	Edinburgh	R	8	46	Manchester	R	7	45	Rio de J'o			
Amsterdam	C	6	43	Faro	S	20	68	Manila				Rome	F	19	66
Athens	S	20	68	Florence	C	18	64	Melbourne				Salzburg	C	6	43
Bahrain	S	27	81	Frankfurt	R	7	45	Mexico City				San Francisco			
Bangkok	C	30	86	Funchal	C	19	66	Miami				Seoul			
Barcelona	S	18	64	Geneva	C	11	52	Milan	R	12	54	Singapore			
Beirut	S	20	68	Gibraltar	S	18	64	Montreal				Stockholm	C	-1	30
Belfast	S	8	46	Glasgow	R	9	48	Moscow	F	-3	27	Strasbourg	R	7	45
Belgrade	C	18	64	Guernsey	R	11	52	Munich	C	7	45	Sydney			
Berlin	C	6	43	Helsinki	C	1	34	Nairobi				Taipei			
Biarritz	C	15	59	H. Kong				Naples	F	18	65	Tangier	C	18	64
Bombay				Innsbruck	C	7	45	Nassau				Tel Aviv	S	22	72
Bordeaux	C	12	54	Inverness	C	9	48	New Delhi				Tenerife	C	22	72
Brussels	Fg	4	39	Islamabad				New York				Tokyo			
Budapest	R	3	37	Istanbul	S	16	61	Nice	C	16	61	Toronto			
B Aires	C	22	72	Jakarta				Nicosia				Tunis	F	23	73
Cairo	S	23	73	Jersey	R	12	54	Oporto	R	16	61	Valencia	S	20	68
Cape Town				Jo'burg				Oslo	C	2	36	Venice	C	12	54
Caracas	C	28	82	Lima				Paris	C	9	48	Vienna	Fg	2	36
Casablanca	C	19	66	Lisbon	C	18	64	Peking	C	13	55	Warsaw	S	2	36
Chicago	S	6	43	London	C	10	50	Prague	Fg	1	34	Washington			
Cologne	C	7	45	Los Angeles				Reykjavik	F	8	46	Zurich	C	9	48
Copenhagen	F	8	46	Luxembourg	Fg	6	43								
Corfu	T	17	63	Madrid	S	15	59								
Dallas				Majorca	F	18	64								
Dublin	S	9	48	Malaga	S	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Superpower nuclear stockpile grows

Continued from Page 1

well as those above 1,000km range, Mr Gorbachev was not making quite the sacrifice the West thought he was.

Mr Francois Heisbourg, the Institute's director, said it was not clear whether the SS-23 "was a poor programme technically, or whether there was an actual decision to deploy fewer." Last year the Institute, in common with some governments such as the US, had estimated likely SS-23 deployment far higher, at around 240.

The US Administration has set itself the goal of trying to negotiate a 50 per cent cut in long-range missiles next year before the President leaves office. Though many observers regard this ambitious goal as unrealistic, the IISS report underlines the need for an early Start accord. The past year has seen US warheads on long-range rockets increase by 1,000 and comparable Soviet warheads by 400, to totals of 13,873 and 11,044 respectively. Despite the asymmetric increases, the IISS judges "US and Soviet strategic forces remain in rough parity."

However, the Institute, for the first time, deliberately opts out of making an overall assessment of the Nato/Warsaw pact conventional force balance. In previous years, to some irritation among Western conservatives and Nato commanders, the Institute has stressed stability, arguing that the likelihood of nuclear escalation makes aggression a high-risk option in Europe. Now, it emphasises numerical force comparisons, as essentially provided in its Military Balance, do not solely determine the balance.

THE LEX COLUMN

Pocket money for London

Among the welter of falling equity markets yesterday, London proved a curious exception. The FT-SE100 index opened 50 points lower in response to overnight weakness in Tokyo, but then moved against the trend of Wall Street and the dollar to end 8 points up.

The market seems to be emerging from the worst of its liquidity crisis, and since at the time of the crash less than 5 per cent of UK equities were in foreign hands, London has less to lose than most from the scramble to repatriate funds. The corresponding weakness yesterday in gilts was logical enough, since it will presumably take further weakness in equities to induce Mr Lawson to cut interest rates again.

On the European bourses, meanwhile, the calling of money home goes on apace. The German market fell even more heavily yesterday than on Monday, and is now down by an eighth in the course of this week. The French market fell 7 per cent, and Switzerland, Sweden and Belgium were all down by 5 per cent or more. In Norway, meanwhile, the Norsk Hydro rights issue seems finally to have been abandoned, and the Montedison issue in Italy has been postponed.

Not all of this is a matter of cash flow. Hoechst, the world's biggest chemical company, now yields 6.8 per cent gross to German holders, compared with 6.7 per cent on long-term government bonds. It would be an exaggeration to say that the rampant D-Mark could do to German industry what sterling did to the UK in 1980/81 or the dollar to US industry in the mid-decade; but it is not surprising that the speed of the dollar's movement against the D-Mark has shaken investors' nerves. Judging by the extraordinary mish-mash of statements from Washington yesterday, there is no telling what the next movement will be.

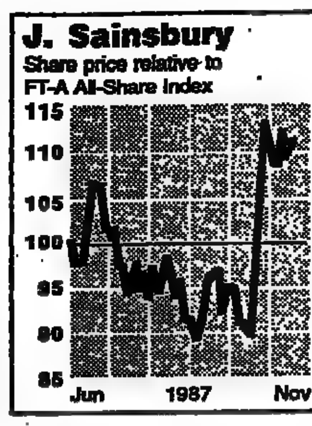
J. Sainsbury

Since J. Sainsbury is not generally in the business of issuing shares - aside from the few it placed to buy out Shaw's - a collapse in the stock market is of little real consequence to the company. And if the projected downturn in the economy should become a recession, food retailing is a defensive activity. Sainsbury's overseas venture will still produce less than 10 per cent of profits, so sterling's gains are not too serious. Hence the mere 20 per cent fall in Sainsbury's share price since day one of the market crash.

There is no need to change profit forecasts much, if at all, especially after interim profits bang in line with expectations. Indeed, the very obviousness of continued profit growth which had made the sector so dull before the crash is now a virtue. Spending on food is unlikely to decline given the relatively small part of disposable income it takes. And this time round the major food retailers ought not to go in for the destructive price competition seen in the past, because they are now in rather stronger positions and inflation is at nothing like the rate it was.

The changed stock market makes no difference to Sainsbury's store opening programme, though it will suffer a rise in gearing to around 25 per cent this year. But while interest rates are low that is not a big problem. With profits likely to come near to £300m this year, against £237.8m, the prospective multiple is under 16 on a 209p share price. The rating premium to the market should rise in percentage terms if the market falls, and vice versa.

J. Sainsbury
Share price relative to FT-A All-Share Index



General Cinema

General Cinema's dispensing of a cool £128m on another 10 per cent of Cadbury Schweppes is a bold move in these market conditions, despite the several theoretical price support factors. But fortune is currently favouring the brave. And by drawing attention to the "raider floor" in a few other major stocks as well as returning a bit of liquidity to the system, GC probably played a part in yesterday's slight recovery in the UK market.

The combination of Cadbury's defensive qualities, and the prospect of GC either bidding or handing on its stake, ought to make the stock as safe as cash in a falling market. And in the short-term the market in Cadbury shares might become even tighter if GC pushes up to 25 per cent. The trouble is that the prospect of a big bid premium sometime in the future - care of GC or anyone else - does not look likely at present. To hand on its full Cadbury stake GC would have to redeem its last convertible, which may reduce the attractiveness of the idea. And although GC would no doubt like to pull out some of Cadbury's jewels it is highly unlikely to make a full bid. In current markets it may also be more difficult for GC to float another convertible (having pocketed the dividend) to refinance the latest stake. That said, GC is surely too clever to allow the market to become entirely disillusioned with the bid story, and the raiders are still sitting on a huge (and rising) dollar profit from the first leg of the acquisition.

Australia

The Australian stock market is only the world's tenth biggest, but it is proving to be a microcosm of what might happen in the bigger stock markets if the collapse in share prices really gets out of hand. There has already been a run on a small bank: the previously highly rated paper of several local entrepreneurs is being quickly reclassified as junk debt and there has been a flight out of the Australian dollar. This, in turn, has precipitated higher local interest rates which have increased fears about the viability of some of the more highly geared corporate raiders which only a month ago were still strutting across the world stage. Companies which relied heavily on stock market trading have become the target of endless rumours, raising fears that the stock market crash could claim a major casualty which in turn might lead to heavy losses in the local banking system.

Aside from the sharp falls in the Australian equity market, foreign investors are also suffering from heavy losses on their bond holdings. Not only has the Australian dollar declined by 17 per cent against sterling since September but bond prices have been falling as Australian interest differentials return to more normal levels.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday November 11 1987

General Cinema swoops on Cadbury Schweppes

BY JAMES BUCHAN IN NEW YORK AND NIKKI TAIT IN LONDON

GENERAL CINEMA, the diversified US theatre chain and soft drinks bottler, yesterday stepped into the London market and swept up nearly 10 per cent of Cadbury Schweppes, the UK confectionery and soft drinks group.

The market sweep, which netted 57.8m Cadbury shares at a cost of £128m ($217m), brings General Cinema's holding in the UK group to 18.2 per cent. Last night, Cadbury's price closed 30p higher at 222p, with 105m shares traded.

But General Cinema, which has diversified widely into consumer-oriented businesses, said it had no immediate intention of making an offer for Cadbury. "The shares were bought for investment purposes," said Ms Janine Dusossoit of the Chestnut Hill, Massachusetts company, which is widely admired on Wall Street as a smart and tight-fisted investor. "Market conditions were right."

In London, Cadbury said that it had not been in direct contact with General Cinema – either before or after news of yesterday's market raid – but described it "as a highly-opportunistic move by a US corporation with a market capitalisation little more than half Cadbury-Schweppes".

The company said it had received no official word from General Cinema's chairman, Mr Richard Smith, and when it did, would reiterate its objection to any attempt by Mr Smith or his associates to gain management involvement in Cadbury.

General Cinema added yesterday that it was still bound by a commitment it made to Cadbury in January when it bought 47.5m shares or 8.5 per cent of the group for £89.7m. General Cinema said then it would not make an offer for the company for at least a year unless there were some material change in circumstances. The average purchase price on that initial stake stood at 189p – some way below yesterday's buying level, despite the recent market collapse.

In May, General Cinema partially cashed in its Cadbury investment by issuing some £110m in bonds convertible into 36.6m Cadbury shares (6.4 per cent of the equity) or its cash equivalent at General Cinema's discretion. The company said that it might consider refinancing the sterling loan for yesterday's purchases, possibly through another bond issue convertible into the new stock. "But it would depend on market conditions," Ms Dusossoit said.

German bank in insurance talks

By Andrew Fisher in Frankfurt

TALKS AIMED at creating West Germany's second-largest insurance group are taking place between Deutsche Genossenschaftsbank, the co-operative bank, and the trade union owners of Volksfürsorge, the insurance company.

DG Bank said yesterday that it had reached basic agreement with BGAG, the union holding company, over the purchase of a majority stake in Volksfürsorge. No contracts have yet been signed.

The bank intends to combine the latter with the R+V insurance company. DG Bank and the co-operative movement own the majority of R+V's general insurance operation. But its life company belongs to its policyholders, who receive a share of profits. Last year, the life company made net profits of nearly DM560m, most of which was distributed in this way.

Together, R+V and Volksfürsorge have a premium income of some DM7.5bn ($4.5bn), which would be second only to Allianz in Munich. Both companies would keep their separate identities.

The negotiations with DG Bank follow the failure of talks earlier this year between BGAG and German savings banks. The talks fell through after a savings bank association in the populous state of North Rhine-Westphalia voted against the move.

West Germany's unions began trying to shed their commercial interests after the debacle more than a year ago over the sale and repurchase of Neue Heimat, the loss-ridden housing group. Unions last year sold control of Bank für Gemeinwirtschaft to the Aachener und Münchener insurance group for nearly DM2bn.

SHEARSON LOSES $46m ON BP FLOTATION

Market fall hits Wall St banks

BY ANATOLE KALETSKY IN NEW YORK

SHEARSON LEHMAN Brothers and First Boston, two of the leading Wall Street investment houses, have disclosed that they suffered large losses as a result of the turmoil in the world's equity markets last month.

Shearson Lehman announced that it had incurred an after-tax loss of "approximately $70m" in October, more than half due to a $46m net charge connected with its obligations as an underwriter in the unsuccessful British Petroleum equity issue.

First Boston told its staff in a private memo that its "bottom line for October will be a loss," putting most of the blame on "a significant loss" in the firm's risk arbitrage department, which has been one of Wall Street's most active and aggressive dealers in takeover stocks.

While First Boston would not reveal details of its losses, industry analysts guessed that the month's deficit on the risk arbitrage desk was probably at least $60m.

Shearson and First Boston are the latest and biggest additions to a growing list of Wall Street securities firms which have publicly admitted to having taken serious hits last month.

However, neither firm has announced any significant organisational changes in response to the losses.

Mr Peter Buchanan, First Boston chief executive, did reportedly tell staff that they would "be hearing a lot more about cost control" in the near future. However, he added that a strategic review of the firm's operations, which was in progress, was unlikely to result in changes that would "make headlines."

He gave no indication of imminent staff cuts, saying only that First Boston's employment would probably not grow beyond its present size of 5,508.

Shearson Lehman's loss of $46m on the 10m American Depositary Receipts in BP, which it was forced to buy at an inflated price as one of the underwriters to the issue, is likely to be paralleled by similar problems among the other three US underwriters to the issue – Goldman Sachs, Morgan Stanley and Salomon Brothers.

However, the precise size of the losses may vary, depending on the degree to which the firms were able to hedge their underwriting risk.

Shearson would not disclose how many of its BP shares it had disposed of in the market and how many it was keeping on its own books, in the hope of a market upturn. In either case, the firm said its accounting practice was to mark down shares to market value on a daily basis.

Wal-Mart stores advance by 41%

BY JAMES BUCHAN IN NEW YORK

WAL-MART STORES, the large southern group which has escaped many of the unfavourable trends besetting US retailers, yesterday reported a 41 per cent increase in earnings in the third quarter to October on a 36 per cent rise in sales.

Wal-Mart, whose chain of discount stores has rapidly colonised the southern US, registered earnings of $138.1m, or 24 cents a share, on sales revenues of $4.01bn in the October quarter. Net income for the nine-months was up 43 per cent to $380.5m, or 67 cents a share, on a 36 per cent rise in sales to $11.0bn.

The group's strong results contrast sharply with earnings reported yesterday by The Limited, the big speciality retailer which is struggling to adjust to the transformation of women's fashion wrought by the mini-skirt.

The Limited, whose warnings of slower growth last September helped undermine the stock market's confidence, turned in net income of $63.3m for the October-quarter, up only 1 per cent on last year's corresponding three months, with earnings a share unchanged at 36 cents. Sales revenues were up 11 per cent at $891.7m.

Earnings for the nine-months, which included a strong first-half, were up 22.6 per cent at $171.9m, or 90 cents a share, on a 16.5 per cent increase in sales revenues to $2.52bn.

Worlds of Wonder hit by losses

By Louise Kehoe in San Francisco

WORLDS OF WONDER (WOW), the one-time high flyer of the US toy industry, has reported heavy losses for the second-quarter ending September 30.

The company said it had cut the prices of some of its toys and it was investigating "financing alternatives," including the possible sale of assets.

Losses for the second-quarter were $43m, compared with profits of $4m, or 18 cents a share, for the same period last year. The losses include a charge of $29.8m to cover the costs of price cuts, which must be reimbursed to retailers who have WOW toys in stock. Also included is a $5.0m tax benefit.

Amer profits boosted by lower costs

By Olli Virtanen in Helsinki

AMER, the Finnish diversified industrial group, increased profit before taxes and extraordinary items by 34 per cent to FM282m ($62m) for the year ended August 31.

Group's net sales increased by 21 per cent to FM3.59bn.

The group cited higher operating profit from larger divisions, sales of unprofitable units and significantly lower financing costs as the main factors for the improved result.

Earnings per share increased by 11 per cent to FM16.1 and the directors propose a dividend of FM4 a share, up from FM3.7 the previous year.

Amer's largest business sector, the car import and wholesale division, increased net sales by 19 per cent to FM2.071bn, or 57 per cent of the group total.

The tobacco division saw its net sales increase by 11 per cent to FM414m.

CanPac continues strong recovery

BY ROBERT GIBBENS IN MONTREAL

CANADIAN PACIFIC, the transportation, resources and industrial conglomerate, continued its strong recovery in the third-quarter and expects further growth in the final three months of the year.

Third-quarter net profit amounted to C$159.6m (US$120.9m) or 52 cents a share, up from C$51.3m or 17 cents in the corresponding period a year earlier. This was despite a decline in revenues to C$3bn from C$3.9bn.

There were also special gains of C$160.8m on the sale of Maple Leaf Mills, which brought final earnings for the quarter to C$320.5m, or C$1.07 a share, up from C$81.2m or 27 cents a year earlier.

Net profit at the nine-month stage totalled C$437.5m or C$1.46 a share, up from C$58.5m or 20 cents a year earlier, on revenues of C$9bn against C$11.4bn.

Final net earnings for the nine months amounted to C$791.6m or C$2.64 a share after including special gains of C$354m which, in addition to the Maple Leaf Mills disposal, also takes in C$193m from the earlier sale of Canadian Pacific Air Lines. This compares with a loss of C$274m in the 1986 period after allowing for special charges of C$332.6m stemming from the write-down of special assets.

The directors said: "For the remainder of 1987, CP anticipates continued strength in its major operations as markets for most of their products and services are expected to remain firm.

"However, the company is monitoring closely business conditions in the wake of the recent turbulence in the financial markets."

The company credited larger volumes of grain, coal and forest products shipments for lifting CP Rail's net income in the nine months by C$78.8m.

Rio Algom agrees to merger deal

By David Owen in Toronto

RIO ALGOM, the diversified mining and metals company which recently announced a change of chief executive, has agreed in principle to a transaction which would ultimately lead to the company's amalgamation with Potash Co of America.

The RTZ-controlled company already owns 87.8 per cent of the voting rights attached to Potash Co shares.

If Rio Algom and Potash Co shareholders approve the deal, they would receive either C$18 (US$13.74) cash or one Rio Algom common share for each Potash Co preferred share held. If all Potash Co preferred shareholders elected to receive Rio Algom stock, the company would issue 1.2m shares or about 2.8 per cent of its stock outstanding.

Rio Algom could gain C$130m (US$98.5m) in tax credits from Potash Co in a merger. The transaction is subject to a number of conditions.

Bayer plans further expansion in US

By David Marsh in Bonn

BAYER, the large West German chemicals group, is building up its US activities with the purchase of Denka, a Houston-based petrochemicals manufacturer with $100m annual turnover.

The acquistion is being made through Pittsburgh-based Mobay Corporation, a primary chemicals and polymers company which is a subsidiary of Bayer of the US. Bayer said yesterday that the two sides had agreed not to disclose the price.

Denka, which has more than 400 employees, is currently majority owned by its management and workers. The purchase, which has still to be approved formally by US government agencies, will add to the sales of Bayer companies in the US which already total more than $4bn, about 20 per cent of Bayer's worldwide sales.

Denka makes polychloropene rubber, used in the rubber, adhesive and latex industries. It also produces maeic anhydride (MAN) and its derivatives malic and fumaric acids.

The Denka group includes two smaller subsidiaries, Staflex Speciality Esters, which produces plasticisers, and Scientific Design, a producer of catalysts and provider of engineering services.

Saint-Louis acts to avert takeover

BY PAUL BETTS IN PARIS

SAINT-LOUIS, France's second largest sugar producer, has decided to launch a FFr60m ($10.7m) capital increase to protect itself from a possible hostile takeover.

The move, designed to consolidate control of Saint-Louis, which is in the hands of a group of friendly shareholders, follows the disclosure of additional purchases of shares of the group by Ferruzzi, the Italian food group controlled by Mr Raul Gardini.

Ferruzzi, which already controls Beghin-Say, the biggest sugar group in France, confirmed this week that it had acquired an undisclosed number of additional shares in Saint-Louis. The group announced at the end of last month it had taken a stake of more than 5 per cent in the French group.

To defend Saint-Louis, France's second largest food concern after BSN, from a possible hostile bid, Worms et Cie, the French financial institution, has agreed to raise its stake in the producer from 19 per cent to 29 per cent through the new capital increase, which will be restricted to Worms.

In exchange for its additional stake, Worms will shed to the sugar group the 3 per cent holding it owns in BSN.

This will turn Saint-Louis into the second largest shareholder in the rival French food group after the Agnelli family of Italy, which took a 4 per cent stake in BSN this summer.

The defensive operation will ensure that more than 51 per cent of Saint-Louis' capital will be held by friendly shareholders, including Worms, Banexi, the investment banking arm of Banque Nationale de Paris, the AGF and UAP insurance groups, and the Bouchon and Lesieur families.

Saint-Louis Bouchon acquired the Lesieur cooking oil concern in a friendly takeover last year, to form the Saint Louis group, which announced net profits of FFr166m on sales of FFr6.1bn in the first half of this year.

The latest manoeuvres around the Saint-Louis group come at a time of renewed concern over a revival of hostile takeover activity against French companies following the stock market crash and the sharp decline in French share prices.

The food and luxury goods sectors have long been regarded as prime targets of corporate raiders.

This year both BSN and the Moet-Hennessy Louis Vuitton group have taken precautions against possible hostile bids.

However, Saint-Louis appears to be the first group to be the target of a possible raid in the new stock market environment.

There has been rising takeover speculation concerning a number of other leading French groups with vulnerable capital structures whose share prices have tumbled since mid-October.

These include groups like the Bouygues construction concern and the Compagnie du Midi, the insurance group whose share price was particularly badly hit yesterday when the bourse fell by more than 6 per cent.

Asea shows 18% gain in third quarter

BY SARA WEBB IN STOCKHOLM

ASEA, the Swedish electrical engineering group which is merging with Brown Boveri of Switzerland to form one of the world's biggest electrical engineering concerns, yesterday said that group profits (after financial items) rose by 17.6 per cent to SKr648m ($106m) in the third quarter, compared with SKr551m in the corresponding period last year.

However, profits (after financial items) for the first nine months slipped 2.4 per cent to SKr1.8bn, against SKr1.84bn the previous year, according to preliminary figures released yesterday.

Full-year profits (after financial items) are forecast to reach the 1986 level of SKr2.43bn. Group sales last year totalled SKr46.6bn.

Earnings have shown a gradual increase during the year, Asea said, as orders from last year have started to show their effect on the group's results.

Order bookings for the first nine months totalled SKr38.6bn, an increase of 5 per cent on last year's figure of SKr36.74bn.

Asea's invoiced sales dropped 1.8 per cent to SKr33.5bn, compared with SKr34.1bn in the corresponding period last year, chiefly because the 1986 figures were boosted by a SKr2.8bn nuclear power station order.

Shareholders of both Asea and Brown Boveri are due to meet today for extraordinary general meetings to approve the planned merger. The new concern, Asea Brown Boveri, will have sales of SKr100bn

Hydro axes plan for NKr3bn rights issue

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest diversified publicly quoted company, has shelved plans for a NKr3bn ($476.1m) rights share issue, the biggest such issue proposed by a Scandinavian company.

Hydro said the change in plans was due to the fall in its share price and the current uncertainty concerning future stock market developments.

The issue was to have been open to foreign investors and was needed by Hydro to cover large investments, estimated earlier this year at just under NKr11bn.

Hydro's shares traded this summer at a high of NKr263 but by yesterday had fallen to NKr118.

Hydro said the issue could be taken up again when market conditions improved and that the terms of a possible share issue would remain valid until the end of June 1988.

An Oslo bourse official said foreign investors in Norway, which this summer accounted for as much as 40 per cent of total bourse turnover, had largely decamped.

The total volume of shares traded on the Oslo bourse this week has been about NKr65m daily, compared with summer highs approaching NKr220m.

Montedison shelves $837m equity offer as shares tumble

BY JOHN WYLES IN ROME

SHAREHOLDERS in Montedison, Italy's chemicals, pharmaceuticals and financial services group, agreed yesterday to postpone a planned L1,028bn ($837m) rights issue because of current conditions in the equity markets.

The decision at the annual meeting was taken on the initiative of the company's largest shareholder, Mr Raul Gardini's Ferruzzi group, which owns about 40 per cent of Montedison.

Authorisation of the issue should be delayed until "the company can propose differently structured financial operations which are compatible with the market," Montedison said.

The exercise began to look dubious once the Montedison share price fell below L1,900, the price at which 540.9m new ordinary voting shares were to be issued.

When the issue was announced at the end of September, the proposed price offered a discount of 13.6 per cent to the then Montedison stock price. The company's shares were trading yesterday at about L1,410.

Mr Mario Schimberni, Montedison president, revealed yesterday that it had not been possible to organise an underwriting consortium for the issue because of market conditions. One-third of the issue, due to have been made in December, was to have been placed in Wall Street and the remainder in Italy.

The postponement leaves the group labouring under borrowings of L7,600bn - 1.3 times equity - which have been greatly swollen this year by a number of ambitious diversification schemes.

Among other things, the rights issue was designed to cover the L2,060bn purchase of a further 38.5 per cent stake in Hymont, the polypropylene joint venture launched in 1983 with Hercules, the US chemicals group.

Responding to a shareholder's complaint that his company had become "an hermaphrodite, because there is too much finance for it to be a chemical group and too much chemicals to be a financial group," Mr Schimberni asserted that chemicals would remain Montedison's fundamental business but that it was diversifying into related areas.

He also issued the now ritual assurance of "perfect harmony" between the company's executive board and Ferruzzi.

Sulzer to investigate stock purchases

BY JOHN WICKS IN ZURICH

SULZER BROTHERS, the Swiss engineering concern, has instituted inquiries into the source of funds with which about 35 per cent of the company's registered shares have been acquired by a group of investors headed by Mr Tito Tettamanti.

Sulzer has hired Mr Paolo Bernasconi, a Lugano lawyer, who has indicated that his search will concentrate on determining to what extent foreign investors are involved in the transaction. Mr Bernasconi was, until recently, public prosecutor in Canton Ticino.

Sulzer's statutes preclude the registration of foreigners as holders of registered shares. The group says its has deleted a number of names from its share register.

Elsewhere in connection with Sulzer, the Swiss Bankers' Association has called on member banks to adhere to a 1961 convention in respect of the transfer of registered shares.

The association is understood to have deplored the use of so-called blocking statements, which allow shareholders to delegate their share rights to others.

Both Sulzer and Mr Tettamanti have recently indicated their interest in discussions on the situation. Mr Tettamanti has said he does not intend to sell, for the present, the Sulzer shares which he controls.

Statoil revises over-run cost of Mongstad refinery

BY OUR OSLO CORRESPONDENT

STATOIL, the Norwegian state oil company, says that cost over-runs on its Mongstad refinery and terminal expansion project are calculated to be NKr9.2bn ($1.46bn) at current prices.

In mid-September, the company confronted Norwegian authorities with the project's cost over-run which, at that time, Statoil calculated to be NKr3.8bn at 1982 prices.

However, authorities have recalculated the cost over-run at 1983 prices, which boosts the figure to NKr4.2bn.

On Friday, though, when Mr Arne Oeien, the Minister of Oil and Energy, presents to the Norwegian parliament findings of an inquiry which he commissioned into the affair, the figure which is likely to emerge could differ quite significantly from Statoil's latest calculation.

Speculation by Oslo politicians and media is estimating the budget over-run to be more than NKr5bn, which suggests that their speculation is based on 1982 prices.

Reports are rife that Mr Arve Johnsen, the president of Statoil, and his board of directors, headed up by Mr Inge Johansen, might have to step down. It is also believed that a shake-out of the Statoil administration could be necessary to restore confidence in the company.

Mr Willy Olsen, Statoil's director of information, has also been accused of giving misleading and, in some cases, untruthful information to the press during various stages of the refinery project's development.

The disclosure of the cost over-run has also prompted renewed pressure from non-socialist politicians who argue that the only way to control Statoil is through semi-privatisation.

Holderbank sees rise in earnings on firmer sales

BY OUR ZURICH CORRESPONDENT

HOLDERBANK, the Swiss cement group, expects a rise of about 19.2 per cent in net earnings this year, to SFr285m ($209.5m). This will contribute to a cashflow figure of about SFr790m, up 17 per cent on 1986.

Group sales are estimated to rise to more than SFr3.72bn for 1987, an increase of 13.2 per cent. This growth, however, will be almost entirely due to new consolidations.

Otherwise, real growth was only about 1.5 per cent - in spite of an increase in sales volume, excluding that of newly-consolidated companies, of 6.4 per cent. This reflects the weakness of the dollar as about 50 per cent of group sales are in the dollar area.

In Zurich yesterday, Mr Thomas Schmidheiny, chairman and chief executive officer, said currency hedging meant that the decline of the dollar would have only slight effects on parent company results for the year.

Holderbank Financiere Glarus reckons with a 10 per cent growth in its net earnings, to about SFr55m, after an increase in income from participations of about 17 per cent, to about SFr70m.

Most subsidiaries have been showing favourable development this year.

One exception is Ideal Basic of the US, which will show an unexpected loss due to falling sales in leading markets and pressure on prices from imports.

However, the group is continuing with a restructuring plan for the company, an important part of which foresees the opening next year of a modern, low-cost cement works in Mobile, Alabama.

According to Dr Max Amstutz, managing director, group investments dropped to SFr289m this year compared with SFr801m in 1986. No new acquisitions were made and expenditure centred on modernisation and replacement projects.

Hoesch eyes PWH stake

HOESCH, the West German steel group, is considering taking a majority stake in PHB Weserhuette (PWH), the loss-making plant construction company, from the family-owned Otto Wolff group, Our Financial Staff writes.

Both Hoesch and PWH said Hoesch had until the end of the year to decide whether it wanted the stake.

Hoesch sold 50 per cent of PWH to Otto Wolff, an engineering group, two years ago.

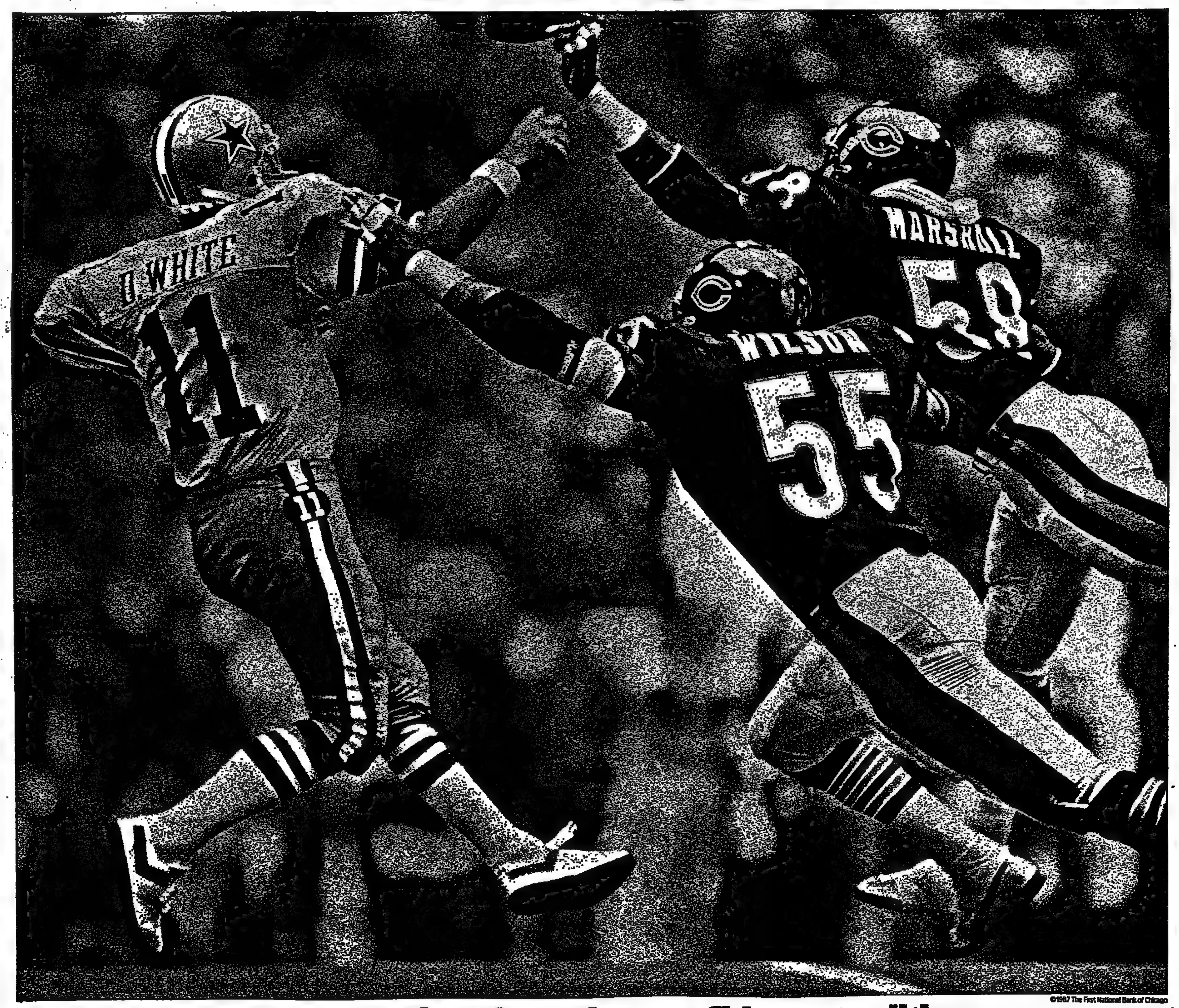
PWH incurred losses of DM128m ($77.5m) in 1986 and has said its deficit this year will be significantly higher. Group net profits at Hoesch fell to DM270.5m in 1986 from DM305.4m.

It's no wonder.
In everything we do, from trading to investment banking to corporate finance, we're the kind of bank people want on their side.

A brief look at our recent performance in foreign exchange trading and risk insurance is proof:
Our annual customer volume in the area of foreign exchange is in excess of $330 billion.

In currency and interest rate options, it's $7 billion.
And for interest rate and currency swaps, it's nearly $8 billion.
We got this big this fast by offering our clients a combination of technique and creativity they just couldn't find anywhere else.
The fact is, First Chicago is a major global player in these areas.
A player you should want on your side.

NOT MANY PEOPLE LIKE GOING UP AGAINST CHICAGO.



Performance has always been a Chicago tradition.

FIRST CHICAGO

Tony Walker on the Souk al Manakh crash five years on

Kuwait share bail-out under way

SHEIKH SALEM Abdul-Aziz al-Sabah, governor of Kuwait's central bank, predicts that by the end of this year, an estimated $6bn to $8bn government-sponsored settlement programme will be in place to help bail out local banks hit by the 1982 stock market crash.

Sheikh Salem said that the response from creditors to a scheme to reschedule debts resulting from the collapse of the Souk al Manakh market had exceeded expectations. It had also been found that the magnitude of the debt problem was less severe than had originally been thought.

The Souk al Manakh crash was one of the most spectacular in stock market history. In a few days of hectic trading, $90bn was wiped off the value of shares in local companies, leaving banks with debts of $15bn.

It has taken several years for the authorities to put together a rescue plan that effectively underwrites losses sustained by the banks in the stock market crash.

In the meantime, the central bank has been assisting Kuwaiti banks, several of which were in danger of collapse, to stay afloat.

Under the central bank-directed "bail-out programme," debtors with a positive net worth are required to meet their obligations or risk foreclosure.

If, however, the debtor has a negative net worth, the banks are to divide liabilities into two parts, covered by a low interest loan equal to the amount of assets and an interest free promissory note for the rest. At the end of 10 years, the loans would be paid up and notes written off, the banks having made the necessary provisions.

Profit assured

The central bank has undertaken to compensate banks for the reduced income resulting from participating in the programme, thus assuring a profit to the banks and a dividend to their shareholders.

Sheikh Salem said in an interview that of the 2,180 creditors who had been approached to participate in the settlement programme 1,954, or 90 per cent of those contacted, had responded positively. Ninety-three per cent, or 1,811 of those who had agreed to participate in the scheme, had actually supplied financial data. Of these, 672 or 37 per cent, were found in fact to have positive net worth.

This had enabled the authorities to exclude KD426m ($1.57bn) of debt from the settlement programme.

Banks had thus far completed more than 1,000 settlement proposals equivalent to KD1.67bn. Many of these proposals had been approved and authenticated by the Ministry of Justice.

Sheikh Salem denied local criticism that larger creditors, some of whom are close to the ruling Al-Sabah family, are being treated leniently. "This is wrong completely," he said. "They (local critics) will see what has happened to the big clients."

The central bank governor, who was appointed in October last year, after serving in the bank for 10 years, said that while recent missile attacks on Kuwait had added to nervousness there was no financial panic.

"So far, we're not finding any kind of abnormal capital outflow," he said. "If confidence had been fragile, we would have had more dramatic ups and downs in the local markets."

Tough regime

Sheikh Salem described Kuwait as still a "very active commercial sector." He said the country was returning to a normal level of activity after the boom years of the early 1980s.

One of his tasks had been to tighten up the regulation of banks. "We are trying to reshape banks in a proper and healthy manner," he said.

The central bank had in 1985 instituted a tough regime that required local banks to declare 100 per cent provisioning if a loan was non-performing for more than one year.

If there was a weakness in the financial sector, Sheikh Salem observed, it was in the proliferation of investment companies and foreign exchange houses. These were "well in excess" of requirements. He said the authorities were anxious to see a rationalisation of these institutions.

Swiss capital markets subsidiary for ANZ

BY OUR EUROMARKETS STAFF

AUSTRALIA AND New Zealand Banking Group announced yesterday it is opening a subsidiary in Switzerland which will concentrate on the Swiss capital markets.

ANZ is hoping the company, ANZ Securities (Switzerland), will give especially its Australasian clients greater access to the Swiss franc bond market.

"We wouldn't immediately expect to lead-manage issues for them ourselves but we hope to be able to introduce them to the market," said Mr John Rathbone, head of capital markets at ANZ Merchant Bank in London.

The new company is expected to start operations early next year. The Zurich office, which has paid up capital of SFr10m, is intended to focus on the Swiss franc foreign bond market. There will be also be a Geneva office.

Winterthur forecasts 5% rise in premium income

BY JOHN WICKS IN ZURICH

WINTERTHUR, the Swiss insurance group, expects group premium income to rise by some 5 per cent in Swiss franc terms this year to "noticeably more than SFr8bn ($7.4bn)."

In 1986 the premium total showed a decline of about 1 per cent to SFr7.65bn despite an 8.4 per cent rise in terms of local currencies.

Mr Peter Spaelti, the managing director, said that the company reckoned with "good consolidated results" in respect of 1987 and that the company had been only slightly affected by the current decline in the stock market. This was due in part to a reduction in non-life underwriting losses.

Last year, net group earnings rose by 21.7 per cent to SFr172.2m and the dividend was increased from SFr57 to SFr60 per share and from SFr11.40 to SFr12 per participation certificate.

Saudi finance group in debt repurchase offer

A SAUDI finance company has made an informal offer to repurchase debt of Arabian Auto Agency (AAA), the financially troubled agricultural and construction equipment distributor, following the collapse of a SR700m ($186m) rescheduling agreement, Reuter reports from Bahrain.

Bankers based in the Gulf said that officials of Jeddah-based AAA met creditor banks in Saudi Arabia on Saturday and indicated that a London-based but Saudi-owned finance company would be willing to repurchase its debt at a large discount - 12 to 15 per cent of face value.

Bankers would not disclose the name of the finance company, but said the deal might be tempting to some of AAA's 50, creditor banks, especially several that want to cut their losses quickly

The rescheduling for AAA came unravelled only eight months after it was put together in February, when the company had fallen SR95m in arrears.

Riyadh-based Saudi British Bank, acting as agent on the rescheduling accord, sent telexes to the other banks two weeks ago asking them to accelerate payment.

An acceleration of the SR700m accord would demand full repayment of all obligations immediately and is tantamount to declaring AAA in default.

The agreement was hailed at the time of signing as a model rescheduling and raised hopes that the debt of several other large Saudi corporate borrowers could be restructured without recourse to the Kingdom's legal system.

Bankers said they were now waiting for firm details of the finance company's offer to repurchase AAA debt at a discount.

● Bahrain has issued a decree appointing a nine-strong board of directors for its planned stock exchange.

The board consists of members representing the Bahrain Monetary Agency (BMA), the Ministry of Finance and National Economy, the Ministry of Commerce and Agriculture, domestic banks, accounting houses and the Chamber of Commerce.

The board, with a three-year term, will be chaired by Habib Kassem, Minister of Commerce and Agriculture.

France to sell rest of bank stakes

By George Graham in Paris

THE FRENCH Government is to tidy up the edges of its privatisation programme by selling off its remaining minority stakes in a number of banks.

The Government will sell the 49.7 per cent it holds in Credit du Nord to Paribas, privatised in January, which already controls the loss-making bank.

Outstanding 49 per cent stakes in Europeenne de Banque, Union de Banques a Paris and Banque Chaix will be sold to Credit Commercial de France, their majority owner, which was itself privatised in April.

At the same time the Government confirmed the restructuring of the complicated shareholding relationships between GAN, the insurance company, CIC, the banking group, and the state.

The restructuring, involving the abandonment of preferential dividend rights on a number of classes of shares, will open the way not only for the eventual privatisation of GAN and CIC but also for the flotation of some of CIC's regional banking subsidiaries such as Lyonnaise de Banque.

The Government has already been in negotiations with Paribas and CCF over the sale of its outstanding minority stakes in the two banks. The valuations carried out at the time of the Paribas and CCF privatisations will be revised by the privatisation commission.

The Finance Ministry had already carried out similar tidying up operations by transferring its direct minority stakes in Sofinco and Banque Parisienne de Credit to Suez before its recent privatisation.

Financial analysts suggested yesterday that the ministry had decided to go ahead with these relatively small privatisation operations, which are sheltered from the effects of the stock market's crash, to compensate for its inability to press ahead in current market conditions with other larger operations, such as the sale of UAP, the insurance company.

It is understood, however, that officials had originally hoped to be able to float these stakes directly on the stock exchange.

Indian unit trust may delay launch in US

By R.C. Murthy in Bombay

THE UNIT Trust of India (UTI), the country's only unit trust, is considering delaying the launch in the US of its $100m India Fund because of the crash in world stock markets.

The UTI had applied for permission from the US Securities & Exchange Commission to float a mutual fund, which was to be launched tentatively in mid-December in association with Merrill Lynch.

Merrill Lynch and UTI successfully launched the £75m India Fund from Guernsey last year and it was oversubscribed by more than $61m. Analysts say UTI would have to wait for the international investment climate to improve before attempting to float a mutual fund in the US.

The India Fund £1 unit has lost more than half its value over the past three weeks. From a peak of 117p in September, when UTI declared its maiden dividend, it had fallen to around 55½p earlier this week.

The sharp drop in the India Fund's value came despite the fact that recent stock market turmoil has had little direct impact on Indian share prices. The All-India Share Price Index of the Economic Times, India's main business newspaper, has fallen by only 4.5 per cent since mid-October to 243.2 on Monday.

Mr M R Mayya, executive director of the Bombay Stock Exchange, India's largest, points out that the Indian markets, which are not open to foreign investors, are insulated from overseas share market developments. The first step towards liberalisation was taken last year, when foreigners were allowed to buy into the India Fund, whose proceeds are invested by UTI in Indian stocks.

Expatriate Indians are permitted, acting through Indian stock exchanges, to buy up to 1 per cent of an Indian company's paid-up capital, subject to an overall ceiling of 5 per cent for the expatriate Indian community as a whole.

Taiwan shelves tax on shares

TAIWAN has postponed for a year an income tax on stock transactions in a move to revive the flagging stock market, Reuter reports from Taipei.

The finance ministry had been planning to impose the tax next year, but was forced to postpone it because of the plunge in the stock market.

The weighted stock index closed at 2,581.55 on Monday, down about 45 per cent from its record 4,673.14 on October 1.

Eurodollar prices stage rally to close unchanged

BY CLARE PEARSON

ALL EYES were fixed on the currency in the Eurodollar bond market yesterday. Prices fell by as much as ⅜ points during the day, though they staged a late rally to close unchanged after President Reagan had said he did not want the dollar to fall further.

Dealers said earlier price falls had continued even though New York share prices had opened lower. They noted that, although the bond market had tended to move in inverse relation to the equity market in the weeks immediately following "Black Monday", October 19, it now seemed to be disengaging itself from this pattern.

Last Friday's US employment figures for October, which showed that the economy was stronger before the stock market crash than had previously been thought, tended to diminish bond dealers' fears of a recession, taking some of the steam out of the market.

This had left bond dealers focusing more on the currency, the slow progress of the budget deficit talks in Washington, and the approach of US trade data for September, due on Thursday.

But the Eurodollar sector was nevertheless encouraged by the strength of demand for two recent short-dated new issues for Austria and Oesterreichische Kontrollbank, which carries the guarantee of the Republic. OKB's $200m five-year bond was bid yesterday comfortably within fees yesterday at less 1.60.

Dealers said there were clear signs of retail demand, not only from central banks which wish to spend the dollars they have acquired in recent support operations, but also from other classes of investors.

Syndicate managers were thumbing through their client lists for other names of similar quality to bring to the Eurodollar market. As one said, "we're rounding up the usual suspects" of sovereign and state-backed entities.

The Eurosterling bond market was hit by profit-taking, along with the gilt market, after substantial gains in recent days spurred by hopes of further UK interest rate cuts. Yield margins widened as Eurobonds fell further than the government bond market. Ten-year Eurosterling bonds fell by up to one point.

INTERNATIONAL BONDS

Japanese equity warrant prices were sharply lower after yesterday's sharp decline in the Tokyo equity market. Price falls - which affected all sectors - ranged between 2 and 6 points. A warrant for Aoki, the construction company, due in 1991, fell from 37 bid, 39 offered, to 31½ bid, 33½ offered.

Warrant dealers were expecting the Tokyo share market to fall further, especially while the second tranche of the Nippon Telegraph and Telephone privatisation issue is in train.

However, they said price falls in the warrant market should be limited as these have already eased by between 50 and 80 per cent over the last three weeks.

In the D-Mark market, both domestic and Eurobond prices traded nervously during much of the day, on concerns over whether the rally in the sector had peaked. But they rebounded after Mr Reagan's comments on the dollar.

Prices of 10-year domestic bond prices closed about 30 basis points lower, after suffering falls of up to 70 basis points. Eurobonds closed about 20 basis points higher on the day, after easing earlier in the afternoon.

The Bundesbank will announce the amount of its 28-day repurchase agreements today. It is draining about DM13.8bn from the market this week, and is expected to replace a substantial part of this.

The new 6⅜ per cent Federal government bond traded at par bid, ½ point below its issue price.

In Switzerland, prices of most issues were unchanged on the day although some were hit by profit-taking. The terms were fixed on a straight issue for Polly Peck, the UK trading company. The issue amount was fixed at SFr50m, against an indication of SFr45m-75m, while the coupon was set at 6¾ per cent. The three-year bond closed its first day's trading at its par issue price.

A SFr40m 5¼ per cent convertible for Hayes Resources, a Canadian mining finance company with the guarantee of Midland Bank, closed its first day's trading at 99¼, compared with a par issue price.

Credit Suisse led a SFr30m five-year 5¼ per cent bond for Japan Credit Bureau, priced at 99¾.

Warburg Securities as book runner, and Den Danske Bank as joint lead-manager, led a DKr280m three-year issue for Nordic Investment Bank. It is priced at 100.10 and pays initially the four-month Luxembourg interbank offered rate less 60 basis points, and then the same margin below the three-month rate.

Tiger Oats lifts earnings and dividend

BY OUR FINANCIAL STAFF

TIGER OATS, the large South African foods group which is indirectly controlled by Barlow Rand, boosted profitability by about a fifth in its year to September, as sales expanded strongly.

On annual turnover of R4.12bn ($2.11bn) compared with R3.51bn, pre-tax profits reached R239.2m against R200m. At the attributable level, the result was up at R131.6m from R107.3m.

A final dividend of 213 cents a share is being paid, in comparison with 165 cents in the 1986 second half, bringing the total distributed for the year to 337 cents from 270 cents. This is drawn from annual net earnings of 951 cents a share against 775 cents.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

[illegible]

Watchmakers hit by stronger yen

BY STEFAN WAGSTYL IN TOKYO

HATTORI SEIKO and Citizen Watch, Japan's two largest watchmaking companies, yesterday reported decreases in sales due to the impact of the strong yen on exports.

Seiko posted a sharp increase in pre-tax profits for the six months to September, to Y2.07bn ($15.4m) from Y678m. For the whole of last year it had incurred a pre-tax loss of Y1.3bn.

The recovery was, however, mainly attributable to increased non-operating income, including Y3.3bn in profits on sales of securities. Operating profits rose from Y159m to Y263m.

Sales were down 16.5 per cent to Y136bn. A 19 per cent decline in the dominant watch division and a 6 per cent decrease in clock sales were partly offset by a 17 per cent rise in jewellery sales.

Net profits were down at Y1.06bn against Y1.39bn, giving earnings of Y11 a share (Y14.46). There is a Y5 interim dividend with a further Y5 forecast for the year-end. Expecting a difficult second half, Seiko revised down its forecast sales for the year to Y270bn from Y300bn.

At Citizen Watch, sales declined 3.9 per cent to Y80.2bn in the six months to September, due to a 4 per cent decline in watch sales and a 11.4 per cent fall in industrial machines. However, pre-tax profits rose 17.8 per cent to Y3.64bn because of cost-cutting and a sharp decline in foreign exchange losses.

The company said the business environment would be tough in the second half, with slowing printer sales and sluggish exports of watches and machine tools.

Full-year profits of Y5.5bn pre-tax are forecast, against Y5bn, on slightly lower sales of Y160bn compared with Y163.3bn. Citizen is paying an unchanged Y3.75 interim dividend and plans to maintain a Y7.50 full-year total.

KDD 15% ahead at six months

BY CARLA RAPOPORT IN TOKYO

KOKUSAI Denshin Denwa (KDD), Japan's international telecommunications company, yesterday reported a 15 per cent increase in pre-tax profits for the six months to September thanks to increased domestic sales prompted by the general business recovery in Japan.

KDD will soon be facing competition in the Japanese market as a result of the deregulation of the national telecommunications industry. As a result, KDD also said yesterday that it will be cutting its charges sometime next year.

The company has come under fierce criticism for its international telephone charges, which are substantially higher than those for international calls in the US or Europe.

Revenues in the six months increased by 5.3 per cent to Y120.4bn ($895.8m) while pre-tax profits rose to Y18.5bn from Y16.2bn in the same period last year. For the full year, the company predicts sales to reach Y243bn, up from Y224bn, while pre-tax profits should hit Y31.4bn compared with Y27.4bn.

It said that the arrival of competitors in the international telecommunications field will make business conditions tougher in the coming year. "We need to improve our services to meet clients' needs," KDD added.

It is believed that next year's rate cuts will average about 10 per cent. KDD's last rate cut, of 13 per cent, took place in September last year.

A long-standing monopoly for KDD will be challenged by the arrival of two rival consortia both seeking to provide international telephone services out of Japan. International Telecom Japan (ITJ) and International Digital Communications (IDC) are expected to receive final clearance by next month from the country's Ministry of Posts and Telecommunications, although there will be some further delay before they begin business.

Nippon Telegraph and Telephone, which provides internal phone services, is reported to be considering reductions in its own long-distance rates within Japan, by perhaps 10 per cent.

This would be its first rate cut since NTT's official status was liberalised in April 1985, a move which allowed the company to proceed with a massive share flotation. The second tranche of 1.95m shares went on sale yesterday at Y2.55m each.

Fletcher forecasts 40% profits rise

BY CHRIS SHERWELL IN SYDNEY

FLETCHER CHALLENGE, New Zealand's largest company, expects to achieve after-tax earnings significantly above NZ$500m (US$313.7m) in the current year, more than 40 per cent higher than last year's record.

Sir Ronald Trotter, the chairman, giving this prediction at the group's annual meeting in Auckland yesterday, said he was not "a harbinger of doom" in the wake of the worldwide stock market collapse and declared himself confident about Fletcher's position and outlook.

Referring to last Friday's rejection by the country's anti-trust agency of a Fletcher application to acquire NZ Forest Products, a major competitor, he said the group was considering an appeal and was also discussing the matter with NZFP.

Although the proposal was "not strategically essential to Fletcher Challenge," Sir Ronald said the group did not accept that the decision by the Commerce Commission was correct.

He said his earnings forecast was made after writing down the group's share investment portfolio to current values and was based on current exchange rates.

The NZ$500m forecast compares with an after-tax outcome in 1986-87 of NZ$355.1m. This was itself a 48 per cent increase over the previous year's result and made Fletcher Challenge the country's first company to report earnings in excess of NZ$300m.

Key contributions this year are clearly expected from the group's Crown Forest Industries subsidiary and the 48 per cent-owned British Columbia Forest Products, both in Canada. Last year two-fifths of Fletcher Challenge's earnings came from North American forestry interests.

Sir Ronald said his confidence stemmed from the group's geographical and product diversification, its strong balance sheet and a cash flow this year of some NZ$1bn. "We are in a good position to take advantage of any growth opportunities that will undoubtedly arise in present circumstances," he said.

On the share market collapse, Sir Ronald said the price of Fletcher Challenge shares had fallen 39 per cent over the past three weeks and the decline was "greater than it should be."

But, as a major exporter, the company stood to benefit from lower interest rates and a lower exchange rate which might follow the easing of inflationary pressures, he said. It also stood to benefit from a "flight to quality" in shares.

●The Commerce Commission has approved a proposal by Chase Corporation, a property and investment company, to acquire up to 100 per cent of Entregrowth International, in which Chase already holds 48 per cent, Reuter adds from Wellington.

NZI up 57% midway but makes share provision

BY OUR FINANCIAL STAFF

NZI, the New Zealand financial services company, yesterday announced a 57 per cent jump in interim net earnings which it said stemmed in part from "profits taken in anticipation of a decline in world share markets."

The unexpected severity of the decline in equity values has, however, prompted it to set aside two-thirds of the gain as a post-balance date provision. On prospects, NZI warns that the effects of market volatility on its investment income "make predictions for future earnings unusually difficult."

Net profits reached NZ$102.1m (US$64.1m) in the six months to September compared with NZ$65.0m, on revenues up 17 per cent to NZ$1.12bn. After reviewing potential losses on shareholdings, the board has set aside NZ$25m which at the attributable level mutes the gain for the period to about 30 per cent.

Insurance contributed a net NZ$43.6m, up by just NZ$1m, but an expanded banking role brought in NZ$33.4m compared with NZ$24.5m. NZI has been able to register as a bank following a deregulation of the sector

Goldman Sachs to advise Wellington on DFC sale

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND Government has appointed Goldman Sachs, the New York investment bank, to advise on the best method of selling its shares in the state-owned Development Finance Corporation, Mr Roger Douglas, Finance Minister, has announced.

As a result, DFC has suspended its proposed merger with Trust Bank. This was formed last year from the amalgamation of 11 of the country's trustee savings banks. Last night DFC and Trust Bank said the appointment made the merger proposal inappropriate.

The government decision to sell shares in DFC and other state organisations such as Air New Zealand and Petrocorp, the energy company, was announced in this year's budget.

A bid by Brierley Investments for full control of Petrocorp is being investigated by the Commerce Commission, which is concerned at a possible monopoly in energy production and distribution. BIL already controls retail gas distribution in Auckland, Wellington and several provincial areas.

Brierley bought 15 per cent of Petrocorp from the Government earlier this year.

Stock market crash foils plans at Faber Merlin

BY WONG SULONG IN KUALA LUMPUR

FABER MERLIN, the troubled Malaysian hotel and property group, has told the Kuala Lumpur Stock Exchange it is not able to redeem 17.8m ringgit (US$6.9m) in convertible unsecured loan stock, which matured last month, because of the stock market crash.

The sharp decline in share prices has also dashed plans to reduce its heavy bank borrowings and thrown into doubt the sale of the 700-room Merlin Hotel and office block in Kuala Lumpur to New Straits Times, its associate company.

Both Faber and NST are controlled by the Fleet group, the investment arm of the ruling United Malays National Organisation.

In September, Faber entered into an agreement with NST, Malaysia's biggest newspaper chain, to sell its Kuala Lumpur hotel and office block for 110m ringgit to be satisfied through an issue of 14.15m NST shares at 7.77 ringgit each.

Faber would then place the shares with institutional investors and use the cash to redeem its outstanding loan stock and to reduce its bank borrowings of 150m ringgit.

It would continue to operate the hotel, paying NST a guaranteed return of 7.5 per cent a year on the purchase price.

However, as a result of the stock market crash, NST shares have fallen to 3.8 ringgit, making it impossible to place them with institutions as planned.

PIA in 10% privatisation

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN International Airlines, the national flag carrier, is to offer 10 per cent of its shares to the public, following government approval in June for a programme of partial privatisation among state-owned companies.

PIA's share capital is PRs1.67m ($95.2m) of which only 1.1 per cent is in private hands. The remaining shares are owned by the Government and state-operated financial institutions, investment and commercial banks and insurance companies.

Operating profit for the year to June was PRs690m, up from PRs583m in the previous year. Revenues were an all-time high of PRs11.28bn, an increase of PRs667m over the previous year.

JAPANESE RESULTS

AMADA
METALWORKING MACHINES

Half-year to	Sep 87 Y	Sep 86 Y
Revenues (bn)	45	50
Pre-tax profits (bn)	4.12	4.41
Net profits (bn)	2.01	2.39
Net per share	9.09	12.28
Dividend	7.50	7.50

PARENT COMPANY

NIPPON COLUMBIA
RECORDS, AUDIO EQUIPMENT

Half-year to	Sep 87 Y	Mar 87 Y
Revenues (bn)	41	46
Pre-tax profits (bn)	1.29	2.03
Net profits (bn)	0.58	0.77
Net per share	6.95	15.67
Dividend	3	3

PARENT COMPANY

MEIJI SEIKA
FOOD

Half-year to	Sep 87 Y	Sep 86 Y
Revenues (bn)	93	97
Pre-tax profits (bn)	3.59	3.15
Net profits (bn)	1.57	1.53
Net per share	4.02	3.93
Dividend	3	3

PARENT COMPANY

RICOH
OFFICE EQUIPMENT

Half-year to	Sep 87 Y	Sep 86 Y
Revenues (bn)	270	239
Pre-tax profits (bn)	13.15	9.02
Net profits (bn)	6.25	4.19
Net per share	13.12	10.08
Dividend	5	5

PARENT COMPANY

MITSUBISHI ESTATE
PROPERTY

Half-year to	Sep 87 Y	Sep 86 Y
Revenues (bn)	110	102
Pre-tax profits (bn)	30.93	27.43
Net profits (bn)	14.50	12.21
Net per share	11.50	10.14
Dividend	3.50	3.50

PARENT COMPANY

YASKAWA ELECTRIC
MOTORS

Half-year to	Sep 87 Y	Sep 86 Y
Revenues (bn)	48	50
Pre-tax profits (bn)	0.33	0.53
Net profits (bn)	0.10	0.31
Net per share	0.47	1.44
Dividend	[illegible]	[illegible]

PARENT COMPANY

UK COMPANY NEWS

IMPROVED PRODUCTIVITY HELPS LIFT MARGINS

Sainsbury's interim profit up 22%

DESPITE ITS large store opening programme, J. Sainsbury, the grocery chain, lifted its interim sales by almost 13 per cent and its pre-tax profit by 22 per cent, thereby matching City expectations.

Including VAT, sales for the 28 weeks ended October 3 1987 came to £2.35bn (£2.09bn) and pre-tax profit to £151m (£123.5m). Retail profit amounted to £140.4m (£115.1m) reflecting an increased margin of 5.96 (5.51) per cent–helped by a 4.6 per cent improvement in productivity–while the associates contributed £10.6m (£8.5m).

On the new supermarket openings, Sir John Sainsbury, chairman and chief executive, said by the year-end the sales area would have increased by 9.6 per cent. In 1988-89 there were plans for 19 more supermarkets followed by 20 further openings the year after.

In the interim period UK supermarket sales rose by 12.5 per cent in value and by over 9 per cent in volume. Sales were buoyant in both new and established stores, Sir John reported.

Two supermarkets were opened. In the second half a further 15 would be opened of which seven would be trading before Christmas. Average sale area was over 30,000 sq ft.

Homebase (DIY and garden centres) traded well with an increase in sales of 24 per cent to £77m. Operating profit was held at £2.1m despite a rise in pre-opening costs. Four new stores were opened and two more were due in the second half. Sir John said Homebase was on course to meet its target of 50 stores by March 1989.

SavaCentre, the joint venture with Storehouse, lifted its profits by 16 per cent to £9.6m. A hypermarket at Merton, south London, was being constructed, and work would begin shortly on the site at Meadowhall, near Sheffield.

Another associate, Haverhill Meat Products, also experienced excellent trading, raising profit by 20 per cent to £4m.

Shaw's Supermarkets, the US group operating 50 supermarkets in New England states, was treated as an associate, although it became wholly-owned on July 24. It contributed a profit of £3.2m which represented a 28.5 per cent share from January 4 to June 18, and 49.4 per cent share from then to July 18. Last time the profit was £2.3m on a 21.3 per cent share throughout.

To bring Shaw's year-end closer to Sainsbury's, its current period would run for 60 weeks to February 27 1988.

The group retail profit was struck after depreciation £29.9m (£24.9m) but crediting net interest receivable £6.3m (charge £1.2m). Interest capitalised before deducting tax relief totalled £13.9m (£9.1m).

Earnings were 6.75p (5.69p) per share and the interim dividend is stepped up to 1.25p (1.025p).

See Lex

Interest limits Caledonia rise

BY CLAY HARRIS

Caledonia Investments, the investment group controlled by the Cayzer family, yesterday reported a 4 per cent increase in pre-tax profits to £5.4m (£5.2m) for the six months to September 30.

The small rise in pre-tax interim results masks, however, a 43 per cent increase in investment income to £6.3m (£4.4m) and a 56 per cent advance in operating profits from trading subsidiaries to £909,000 (£583,000).

The improvement was held back by net interest costs of £1.53m (£308,000 receipts) reflecting Caledonia's borrowings to take up part of a rights issue in British & Commonwealth Holdings when the latter bought Exco, the money broker, early this year.

Caledonia subsequently sold most of its 31.3 per cent stake back to B&C for £427.5m. It received the first £100m payment in cash last month. The rest is held in B&C preference shares which will be redeemed in annual instalments up to 1991.

Earnings per share rose to 3.95p (3.64p). The interim dividend is increased to 2.5p (2.2p).

•comment

Even if through luck rather than foresight, Caledonia entered the post-crash world in an enviable position. Its net cash position stands close to £40m after the first B&C payment, leaving aside the £327.5m in preference shares. It was perhaps good fortune that the crash came quickly enough to leave little opportunity to spend any more, although two recent recipients of Caledonia cash - Close Brothers and Grahams Rintoul Investment Trust - have outperformed the market. If Caledonia can choose its targets and timing well, and the Close Brothers link should temper scepticism on this score, its hopes of re-creating a smaller version of B&C should have fair wind. As an indication of its mood, Caledonia has topped up stakes in the falling market, but has held back so far from plunging in - or from selling out. The shares added 14p to close at 299p, perhaps about £2 below the underlying asset value.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
J Bibby	fin	5.75	Jan 13	5.5	8.5	8.25
Caledonia Invest	int	2.5	Jan 8	2.2	-	5.5
Cater Allen	int	5.37	Jan 5	5.37	-	20.15
De La Rue	int	3.25	Jan 4	2.75	-	12
Drayton Cons.	fin	9	-	8	13	10.75
Eng. & Int. Tst.	int	1.25	Dec 15	1	-	4.25
GEI Intl.	int	1.94	Jan 18	1.94	-	5.85
GT Management	int	1.25	Jan 8	1.25	-	5
Metal Box	int	1.9	Jan 11	1.7	-	5.75
Moran Tea Hldgs	fin	20	Jan 14	12.5	30	20
Sainsbury (J)	int	1.25	Jan 15	1.03*	-	3.5*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ØThird market.

Sharp rise in English and Intl. assets

Net asset value per 25p share of the English and International Trust stood at 352.9p at October 5, an improvement of 149p over the stated figure 12 months earlier.

However, the directors pointed out that the decline in world stock markets had had an effect on the trust's nav.

For the six months to October 5 net revenue pushed ahead from £460,000 to £596,000 after tax of £253,000 (£212,000).

Earnings per share emerged at 2.8p (2.14p) and the interim dividend is lifted to 1.25p (1p). Part of the increase is to reduce disparity but the directors anticipated that last year's final of 3.25p would be at least maintained.

Dalgety buying Goldenlay

By Mike Smith

Dalgety, food group, yesterday hatched plans which it claims will make it Britain's biggest egg supplier. It is buying Goldenlay Eggs, a co-operative in the north of England for £4.4m.

The acquisition will double Dalgety's 6 per cent share of the UK eggs market, enabling it to claim leadership above Thames Valley Eggs and Hillsdown Holdings.

Mr Maurice Warren, managing director, said Goldenlay would add about £1.5m to Dalgety's annual profits from eggs of between £1m and £2m. It would also make profits less cyclical.

Whereas Dalgety produces half of the eggs it sells, Goldenlay only packages and markets eggs of its members. Marketing is less susceptible to cyclical movements than production.

Mr Warren said the acquisition would also give Deans Farm Eggs, its subsidiary, the chance to spread overheads and achieve distribution and marketing savings.

Dalgety does not expect to complete the deal until after the New Year because the co-operative has 11,000 members, all of whom will have to be contacted. The deal, which offers £2.75 for each share, has been recommended by the Goldenlay board.

Dean Farm has agreed to to offer producer members of Goldenlay, numbering about 100, contracts similar to those they already have.

Elders IXL ups Greene King stake to 10.6%

By Lisa Wood

Elders IXL, Australian-based brewing and agribusiness group, has increased its stake in Greene King, East Anglian brewer, to 10.62 per cent.

Elders, which owns Courage, Britain's fifth-largest brewer, wants to take its stake up to 15 per cent. Hoare Govett, its broker, is currently offering 448p per share. Greene King's share price closed at 443p per share last night, up 1p.

According to Greene King, Elders built up an initial stake of just under five per cent in Greene King to strengthen its hand in negotiations with the regional brewer. Elders wanted Greene King to sell Elders' Foster's lager. This brand is sold in the UK in Courage pubs and under licence in Watney pubs.

Greene King, which has a 25 per cent stake in the Harp consortium, has a legally binding agreement to stock Harp lager as its major lager brand. The deal runs out in 1994. Greene King rebuffed Elders' offer.

Mr Andrew Cummins, Elders group director for strategy, said yesterday: "We want to run Courage as a successful business and expand it. The negotiations with Greene King over Foster's are now in the past. Our investment now is a long-term strategic one."

Mr Cummins said Elders would not be making a bid for the next six months.

Mr Cummins said: "If Scottish & Newcastle Breweries can buy Matthew Brown and Home Breweries, don't tell me Courage cannot buy a few breweries."

The Monopolies and Mergers Commission, which investigated the first S & N bid for Matthew Brown in 1985, gave the green light for that bid but said there could be a strong case on public interest grounds against any of the five major tied-estate brewers from acquiring a regional brewer.

Mr Simon Redman, managing director of Greene King, said: "Elders might make a direct attack in the future. I hope, under reasonable circumstances, we could rely on at least 50 per cent of the equity holders to support us."

About 25 per cent of Greene King's equity is held by family interests, with a further 16 per cent in the hands of three large shareholders.

Higher overseas input helps Metal Box meet City targets

BY MIKE SMITH

Metal Box, packaging and container group, yesterday reported half-year results in line with expectations after a sharp improvement in its Italian operations helped to offset a disappointing performance in the UK.

In the six months to September 30, the company lifted pre-tax profits by 12 per cent to £43.2m (£38.6m) on sales of £620.2m (£565.6m).

Acquisitions made during the period contributed about £30m towards sales but less than £1m to profits. Metal Box expects the full-year contribution to sales to be about £100m.

Earnings per share rose from 10.1p to 10.9p. The interim dividend was lifted 12 per cent to 1.9p.

In the UK all three divisions suffered a downturn in profitability in spite of increased turnover. The food can business was hard hit by price competition and poor summer weather, although the downturn in this division was partially offset by a growing market for beverage cans.

General packaging was hit by start-up costs at a new production plant and by two strikes. Mr Murray Stewart, Metal Box managing director, said that he would be disappointed if the division did not improve results in future. Engineering should benefit from good products coming through.

A sharp improvement overseas, where profits grew from £12.1m to £16.6m, was led by Italy "following strong management action" taken by the group last year. In the US the improvement was masked by currency fluctuations. In dollar terms both sales and profits were up by about 20 per cent.

Mr Russ Asher, vice-president, finance, at Metal Box America, said that he believed the company's three US companies were well protected from any future recession. The flagship, Clarke Checks, for example, would be shielded because even if the value of cheques declined in a recession the number cashed was steady.

Stelrad, central heating and bathroom subsidiary, benefited from improved efficiency and a market which analysts estimated was growing by about 10 per cent annually.

Taxable profits were struck after reduced interest payments of £6.8m (£8.3m) but increased rationalisation costs of £3.1m (£1.3m). An extraordinary charge of £2.7m related to write-offs on small investments.

•comment

Metal Box yesterday joined the growing list of companies at pains to stress its immunity to a US economic downturn. It probably has a point but the market was more interested in the company's UK problems which were behind yesterday's share price fall. Poor weather and growing price competition - two of the factors blamed by the company - are, after all, hardly rare occurrences. The position should improve in the second half as the benefits of further rationalisation come through. And mature though food canning and general packaging may be they will continue to churn out the cash necessary for planned expansion in plastic packaging and cheque-book printing. Assuming pre-tax profits of £93m this year, the shares, down 13p at 160p, are trading on a prospective p/e of about 7. Metal Box is protected because of its reputation as a defensive stock with low gearing and high exposure to food. Even so, it can hardly expect to much more than track the market in the coming months.

METAL BOX DIVISIONAL RESULTS
(half years to September 30)

	Turnover 1987 £m	Turnover 1986 £m	Trading profit 1987 £m	Trading profit 1986 £m
Packaging				
United Kingdom				
Food and beverage pack	187.5	181	12	14.2
General pack	125.7	107.6	7.1	7.6
Engineering	31.4	29.4	1.8	2
Overseas				
USA	91.5	83.2	6.6	6
Other countries	107.2	109	10	6.1
Central heating and bathroom products				
UK	57.5	42.8	5.7	3.8
Overseas	27.4	20.3	1.5	1.1
Stelrad Group	84.9	63.1	7.2	4.9
Royalty and other income	–	–	3.5	4.5
Related companies	–	–	4.9	2.9
less intra-group mach sales	8	7.7	–	–
Total	620.2	565.6	53.1	48.2

S & N takes Swedish stake

BY MIKE SMITH

Smith & Nephew, medical and healthcare company, is to take a 12 per cent stake in Cederroth Nordic, the Swedish first aid dressings manufacturer.

The issue of 100,000 Cederroth B shares, which have a market value of about £3.5m, is part of an agreement to transfer production of Smith's washable perforated first aid dressings to the Swedish company.

Mr Eric Kinder, Smith chief executive, said there were no plans to buy the whole of Cederroth in the immediate future but Smith may buy more shares in it.

Under yesterday's deal Cederroth will supply Smith with dressings made at its Dutch factory. Smith's manufacture of Elastoplast Airstrip and fabric dressings will not be affected.

The agreement, which is conditional on the approval of the Swedish Government, gives the companies access to each other's technology in washable perforated first aid dressings.

BOARD MEETINGS

TODAY

Interims- Allied Irish Bank, Blacks Leisure, British Airways, Ellis and Goldstein, Equity Consort Investment Trust, External Investment Trust, Great Portland Estates, Hazlewood Foods, Land Securities, F.J.C. Lilley, Regalian Properties.

Finals- Kwik-Tenik, Wade Properties, Williamson Tea.

FUTURE DATES

Interims-

Argyll Group	Dec 2
Black Arrow	Nov 18
Calor	Dec 1
Dunhill Holdings	Nov 18

Finals-

Bank of Nova Scotia	Nov 27
London Entertainments	Nov 17

Electronic Rentals rejects Granada

BY NIKKI TAIT

Electronic Rentals, electronic rental and retail group, yesterday firmly rejected the £222m bid from Granada, TV and leisure company which takes in a rival electronic rental chain, describing it as "unacceptable both in value and form".

The immediate response from Granada was one of disappointment. Mr Alex Bernstein, chairman, said that he was "surprised that Electronic Rentals have not seen the attractiveness of our proposals and have not acknowledged the full price we are offering".

Last night, however, directors of Granada were still meeting with advisers to consider whether to proceed with the offer. When it announced the bid on Monday morning, Granada said that it was conditional on recommendation by the ER board, although it reserved the right to waive that condition.

The rejection came from a unanimous Electronic Rentals board - including the Philips representative, Mr Frans Rulo, who holds a non-executive post - after a 1½-hour meeting. Philips, which in the past was an exclusive supplier to ER, holds a 22.4 per cent stake in the company.

"We whole-heartedly support the decision," commented Mr Rulo. "The offer does not do justice to shareholders of ER and falls substantially short of the company's real worth."

Mr David Hurley, managing director of Electronic Rentals, added that he felt the offer "was all about the elimination of a very aggressive competitor". Granada ranks second in the electronic rental market, with more than 20 per cent, and ER third with under 15 per cent.

"Our prices are the most competitive," he maintained, adding that he was sure that the Office of Fair Trading would wish to look at the bid. Yesterday, shares in ER remained static at 64p - some 12p below the value of Granada's convertible preference share and cash offer terms - while Granada gained 3p to 243p.

GT rises 36% in first half

BY PHILIP COGGAN

GT Management, the fund management group which last week cut senior staff's salaries by between 5 and 15 per cent in response to the decline in world stock markets, yesterday reported interim pre-tax profits up 36 per cent to £8.48m from £6.24m. But the figures reflect the six months to September 30, before the market crash.

Mr Tom Griffin, the chairman said "the outlook for the second half of the year is less certain." Funds under management have been reduced by around 25 per cent since the end September level of £4.8m as a result of price falls and redemptions.

"Investment management fees, which form the major part of the group's revenues, will as a result be reduced" Mr Griffin added "and sales charges and other income which are related to general levels of activity in financial markets may also decline".

However, the first half saw increased business in Japan where by the end of the half some $1.25bn of funds were under management. The GT Global Growth Series Fund was successfully re-launched in the US and an office was opened in Munich.

Turnover was 33 per cent higher at £25.37m (£19.06m) but administrative expenses almost kept pace, rising 32 per cent to £16.89m (£12.82m). After taxation of £2.02m (£1.38m), fully diluted earnings per share were 24.4 per cent higher at 11.7p (9.4p). The interim dividend is being maintained at 1.25p.

● comment

GT Management's shares, down 3p at 182p yesterday, lag behind last year's flotation price of 210p; it would be a brave investor who would bet on them regaining much ground in the short term, giving the current state of the stock market. And although the company's enthusiasm for the Japanese equity market, a significant cause of the shares' underperformance before the crash, has worked out pretty well since Black Monday, there must be a suspicion that the Tokyo market still has a long way to fall. Nevertheless, no-one could accuse the company of inertia after its swift cost-cutting exercise, although a few of its rivals might not be so happy about its virtuous example in slashing bonuses and salaries. When eventually the market recovers, those cuts could stand GT in good stead to move ahead quickly.

Two more rights issues flop

THE COLLAPSING stock-market yesterday claimed two further rights issue casualties as both Local London Group and Birmingham Mint reported that their cash-calls closed with minimal take-up.

Underwriters were left with 95.7 per cent of the new shares issued by Local London, the business centre specialist which raised £28m via a 1-for-4 issue. The new shares were offered at 735p, then a 12 per cent discount to the prevailing market price. However, since the market crash, the shares have fallen to the 300p mark.

Shareholders of Birmingham Mint, the coin and medal manufacturer, took up just 0.8 per cent of the £8m issue held to finance the acquisition of Nevin Electric (Holdings).

Hanson finally wins Kidde

BY NIKKI TAIT

Hanson Trust, the industrial conglomerate, has finally won its bid for Kidde, the New Jersey company for which it launched a recommended $1.7bn tender offer in early August.

By the time the offer closed at midnight on Monday, Hanson had received acceptances on behalf of 24.3m Kidde shares. Adding in the small stake it already held - 601,400 shares - the British company now controls over 93.3 per cent of the equity.

Hanson plans to mop up the outstanding Kidde shares and says the formalities should be complete by the end of the year. It has, however, taken immediate management control.

The bid became somewhat protracted because of a plan to separate out Kidde's temporary services division ahead of the merger between the two main groups. Documentation associated with this was held up, awaiting approval from the Securities and Exchange Commission, the US watchdog. However, the scheme eventually won the backing of Kidde shareholders and the "demerger" is going ahead.

Optimistic forecast for Eurotunnel share issue

By Philip Coggan

A MARKETING survey conducted on behalf of Eurotunnel's advisers indicates that UK investor interest in next week's £770m issue has been maintained despite the stock market crash.

The survey, which was conducted on November 5 and 6 on a sample of 2,000 people, suggested that 600,000 individuals were "certain" to apply for shares in the company, with £1,000 being the average investment intention. Even at that level, that would imply private investor demand of £600m, about three times the planned retail element of the issue.

However, the advisers, who are delighted with the figures, believe that the average application will be larger than £1,000 because of the perks on offer. The best perks will be offered to those who apply for £5,250 worth of shares.

Half a million people have registered with Eurotunnel's UK share information office. The opening date for the offer is expected to be next Monday.

Moran Tea up 26% to £0.8m

Moran Tea Holdings raised pre-tax profits 26 per cent from £639,256 to £804,947 in the year to June 30 1987 despite exceptionally low tea prices.

This was due to an upsurge in the group's other interests, said Mr Colin Gordon-Smith, chairman.

Freight forwarding and travel operations increased profits by 65 per cent and property development had made a satisfactory contribution.

Group turnover rose to £26.3m (£23.6m). Earnings increased to 109.49p (92.74p) and the dividend is lifted from 20p to 30p, with a final of 20p. The £1 shares will be split into 10p.

Saudis up stake in Tranwood

The Saudi Arabian Al Dahlawi Company announced yesterday that it has edged up its stake in Tranwood, financial services and hoisery group to 5.96 per cent or 4.96m shares. The company revealed that it was taking a 5.9 per cent holding last month.

The latest shares were bought at 35p, compared with 42p for the earlier purchases; yesterday the Tranwood price was unchanged at 33p.

Sir Philip buys 1.75m Harris shares

Sir Philip Harris, chairman of Harris Queensway, yesterday announced he had personally bought a total of 1.75m shares in the company.

One million shares were bought on Monday at 100p per share and 750,000 yesterday, of which 250,000 were bought at 100p per share and 500,000 at 105p per share.

Sir Philip, at the time of the last annual report, held some 34.2m shares, a decrease of about 2m on the previous year.

De La Rue up at £22m and attacks Maxwell

BY DAVID WALLER

De La Rue, bank-note printer and printing machinery maker in which Mr Robert Maxwell has built a 15 per cent stake since the market crash, yesterday announced a 20 per cent rise in interim pre-tax profits - and delivered a further rebuff to the ubiquitous publisher.

Dr Brian Malpass, chief executive, told a meeting of stockbrokers' analysts that it would not be in the interest of either its customers or shareholders to be subject to the influence of any single shareholder.

This reiterates the company's objection to Mr Maxwell's presence on the share register, first made plain in a statement at the end of last month. The publisher started buying De La Rue's shares in the first week of the market decline declaring that he did not wish to take his holding beyond 15 per cent, which was reached on Wednesday last week.

In a formula similar to that used by Mr Rupert Murdoch when taking a stake in the Pearson Group, Mr Maxwell has said that he intends to remain a friendly shareholder unless there is a material change in the circumstances of De La Rue or its share price.

For the half year to the end of September pre-tax profits were £21.57m, up by £3.62m, and better than expectations. After a 29 per cent tax charge, earnings per share worked out at 10.7p (9.1p). The interim dividend was raised from 2.75p to 3.25p.

At the operating level the traditional security printing business delivered a 41 per cent increase in profits to £14.74m, on turnover up by 22 per cent to £127.8m. Mr John White, group finance director, said that the rise was due to the benefits arising from last year's acquisition of Bradbury Wilkinson, a rival bank-note printer.

Trading profits at Crosfield Electronics, manufacturer of electronic equipment for the printing and graphics industry, achieved a 28 per cent increase to £5.56m, on turnover up by a similar percentage to £96.6m.

Profits from related companies fell from £4.19m to £3.53m, and the interest charge more than doubled to £2.27m.

● comment

What is it that Mr Maxwell wants? Is his stake-building a means of getting hold of Crosfield, or is it a tree-shaking exercise? Naturally, neither Mr Maxwell nor De La Rue are saying, but the market crash has provided the publisher with a timely opportunity to buy into the company at its most vulnerable, straddled between a humdrum past and a promising future. Yesterday's impressive figures gave analysts no reason to change full year forecasts of £64m, putting the shares on a lowly p/e of 11½. Although arbitrage is now out of fashion, the company is clearly "in play" and the shares should at least recover to the 410p-420p level at which Mr Maxwell came on board.

MSCC holders seek safeguards

By Ian Hamilton Fazey, Northern Correspondent

THE PROTECTION association set up for smaller shareholders after Highams won its bitter takeover battle for the Manchester Ship Canal Company last February, is to ask the Government for safeguards to prevent its members being squeezed out of the company.

The safeguards - which would concern representation and entitlement to benefit - would be written into planning permission for the MSCC to develop the Trafford Centre, a massive retail complex on 300 acres of vacant canalside land.

The site is near the meeting point of the north-west's major motorways and the development would be the region's equivalent of the north-east's Metrocentre.

The association, which represents people holding fewer than 10,000 shares each, has been asked to present its views at the public inquiry into Trafford Centre, which is now under way.

Nearly 900 people have joined the association since April, but it was revealed yesterday that they have been refused boardroom representation by Highams, the industrial textiles group owned privately by Mr John Whittaker, the property developer who also runs Peel Holdings.

Mr Donald Redford, a former chairman of the canal company and now the association's chairman, said yesterday: "There is no-one to speak for the outside shareholders. Day to day management is in the hands of the majority holder of preference shares, Mr Whittaker. Yet the other shareholders who collectively own a majority of the ordinary shares are totally unrepresented.

"We are in favour of the Trafford Centre but any permission to develop it should be accompanied by proper safeguards to protect all shareholders from attempts by the majority owner of the preference shares to squeeze them out

The company is unusual because its 4m preference shares carry equal voting rights

UK COMPANY NEWS

Aitken Hume spends £8m in offshore banking deal

BY STEVEN BUTLER

Aitken Hume International, financial services group, yesterday pushed ahead with the acquisition of a Guernsey-based provider of company and trust administration services, The Bachmann Group, in an effort to boost the group's offshore banking business.

The acquisition is valued by Aitken Hume at £8m, consisting of £4m in cash and 3.33m new Aitken Hume shares valued on a pro-forma basis at 120p. The shares yesterday closed at 75p, which would put the acquisition at £6.5m. An earn-out provision based on future profitability is also included.

Mr Peter Bachmann, founder of The Bachmann Group, said that parties to the deal did not accept current market quotations for Aitken Hume shares as realistic, owing to a lack of liquidity.

"We believe that on any rational assessment of the group the market price is 50 per cent of break-up value," he said, speaking of a then-current market price of about 85p. He predicted that the shares would eventually look cheap at 120p.

The deal was originally to be financed on the basis of a share placement at 145p per share, but this became impossible in the wake of the market crash. The deal was clinched on the willingness of the vendors to accept and hold Aitken Hume paper, and a lowering of the prospective price earnings ratio from 12 to 10.

Mr Tony Constance, Aitken Hume managing director, said that the £4m cash component would be raised initially through bank borrowings but that the group would later offset this partially through property sales.

The acquisition would help the group to build up its Guernsey banking operation, which Mr Constance described currently as "puny," by gaining access to Bachmann's client list.

Mr Bachmann said that his company had been searching for ways to expand the financial services it could offer to clients and had been exploring possibilities of obtaining its own banking licence. Both parties to the deal praised what they said was an excellent fit between the two companies.

Bachmann has forecast adjusted after-tax earnings for 1987 of £780,000.

The share issue amounts to 7.3 per cent of existing share capital and would dilute the near-25 per cent holdings by Mr Lee Ming Tee and Rawda Investments, which were built up last year in what appeared competitive stake building. Neither can exceed the 25 per cent limit without triggering change of control rules affecting Aitken Hume's US subsidiary, National Securities Research (NSR).

Aitken Hume said that funds under management at NSR had held up well because of the company's concentration on fixed-income securities. Funds under management had declined by just five per cent to $3bn since the end of September. NSR profits contribution to the group for the year ending March 1988 were hedged at an exchange rate of $1.5905 to the pound.

EPS cuts loss to £0.65m

Entertainment Production Services, USM-quoted marketer of pre-recorded and blank magnetic recording tape, cut its taxable losses from £1.47m to £650,000 in the year to April 30 1987.

Last time its results were hit by exceptional debits of £1.03m. Turnover fell from £3.21m to £3.18m and after a tax credit of £1,000 (£1,000 debit) losses per 5p ordinary share were cut from 20.57p to 9.09p.

Guinness sells off Richter Brothers

BY LISA WOOD

Guinness, international drinks group, is to sell Richter Brothers, a US importer of speciality foods, to Crown Richter for $19.4m (£10.84m). Crown Richter, a subsidiary of the New Zealand-based Crown Corporation, will also be responsible for external debt of $8m.

Richter Brothers was bought by Guinness for $18.04m in 1985 as part of its strategy of building brands and profit centres in overseas markets, including the US.

Richter, which imports specialist branded products such as Familia Swiss cereals, is the second largest company in the fragmented but growing US specialist food market.

However, earlier this year Guinness, under Mr Anthony Tennant, the new chief executive, made a strategic review of its businesses and announced that it intended to concentrate on its core drinks businesses.

Several interests were put up for sale, including Martin the Newsagent, 7-Eleven, the convenience stores, and Natures Best, a health-supplements business.

Some £340m has been raised through the sales with Distillers Carbon Dioxide the only one remaining for sale. The Department of Trade yesterday announced that it was not referring to the Monopolies Commission the acquisition of Martins the Newsagent by an Australian-based consortium in which Mr Rupert Murdoch's News International has a 33⅓ stake.

Crown Corporation, based in Wellington, New Zealand, is a food-processing and packaging business. Crown Richter has been established in the US to acquire Richter Brothers and run the business.

GEI advances 65% to confirm its recovery

GEI International, a Bedfordshire-based specialised engineering group, has justified the note of optimism sounded at the time of its annual results last June.

In the six months to end-September, the group revealed a 65 per cent expansion in pre-tax profits from a depressed £1.24m to £2.05m on turnover up from £30.88m to £39.13m.

GEI's outstanding order book stood at £23m - an increase of about 50 per cent on last year, the directors added.

After tax of £843,000 (£544,000), earnings per 20p share rose to 3.34p against 1.94p last time. The interim dividend is maintained at 1.94p; the directors said that the group's declared intention was to improve the dividend cover. To this end, it had maintained the dividend throughout the recession and now thought it prudent to "put some profits into the locker".

Cater Allen improves

BY PHILIP COGGAN

Cater Allen Holdings, discount house, recorded a "marked improvement" in interim pre-tax profits in the six months to October 31.

In keeping with discount house custom, Cater Allen did not reveal any actual figure for interim profits and the only concrete statistic issued was its interim dividend which is being maintained at 1.25p.

However, the tone of Cater's statement was relatively upbeat. Profits were described as "good" - the word for last year's interims was "small". Both the discount house and the gilt-edged market maker produced "healthy" returns and higher profits were earned by the Jersey companies and from financial futures broking.

Cater Allen said it expected increased profits at the full year stage from its Lloyds interests. It bought the Mark Loveday agency in July and now owns three agencies.

UK COMPANY NEWS

US difficulties leave J.Bibby £1m behind

J Bibby & Sons, the agricultural and industrial conglomerate, emerged from the year ended September with pre-tax profits down just £1m at £34.84m.

Earnings showed a slight improvement at 20.95p compared with 19.87p adjusted, and the total dividend is raised from 1.25p to 8.5p with a final of 5.75p.

Mr Bas Kardol, the outgoing chairman, said that in the early part of the year the restructuring of the company's business activities was completed. But as reported in the May interim statement, the trading performance was adversely affected by difficult market conditions experienced by Princetor Packaging in the US.

The agricultural division's performance was affeced by contraction in the animal feed market following the furher reduction in EEC milk qutas. All *other divisions repored improvements* in pre-tax profits.

Following its integraion into the paper and converted products division Devon Valley Industries was expectel to become a *significant cotributor* to future profits.

Mr Kardol said thatas well as being a diversified company with significant resurces for expansion both organically and by acquisition, Bibby faced the future with confidence.

Progress made during the year to strengthen the group's operations, the positive profit impact from acquisitions as well as the income benefits from the proposed disposal of Princeton Packaging's flexible packaging division should result in an improved performance in the current year.

Sales last year were marginally lower at £501.23m (£502.59m) and the trading surplus slipped from £38.5m to £36.5m.

Interest accounted for £1.94m (£3.05m) while associated companies profit fell from £414,000 to £271,000. There was a debit of £40,000 (£49,000) for minorities and tax took £11m (£13.25m).

Bibby is 87 per cent owned by Barlow Rand of South Africa.

●comment

This time last year analysts were forecasting £44m pre-tax profits for the year just reported. By the interim stage, Flexible Packaging, part of the US *packaging division showed* a sharp profits downturn due to intense competition in polyethylene packaging for the bakery market and analysts lowered their forecasts, but in the event not far enough. The bakery battle pushed packaging profits down to £2.3m from £5.4m, and Flexible has now been sold for $130m. Agriculture was the second of the now reorganised six divisions to show profits down - to £12.7m from £14.5m, due to less demand for cattle feed following cuts in dairy quotas. The sale of Flexible is timely, though the company's US exposure is still sizeable. City feeling is that Bibby has done reasonably well under trying circumstances, and is on the recovery road. That said, the main problem still remains - it is a very hard to shift stock due to the South African Barlow Rand's 86.5 per cent holding. Assumptions of £40m pre-tax profits for this year give a prospective p/e of about 8.

Health Care rises

Health Care Services, a USM-quoted owner and manager of hospitals and home for the elderly, lifted taxable profits from £311,000 to £468,000 in the six months to September 30 1987.

The directors declared an interim dividend of 0.3p (nil).

Publishing profits in midway boost

Publishing Holdings, the financial publishing and marketing services group which joined the Third Market in January, boosted pre-tax profits from £24,000 to £168,000 for the six months to August 31 1987.

Turnover rose 58 per cent from £2.13m to £3.37m and earnings per share more than trebled from 0.31p to 1.04p.

The board said that the results were evidence of the significant growth of the group during the past year and signalled "exciting and substantial prospects." Established divisions had all traded above expectations and "What Investment" magazine had been a particularly important element of the growth demonstrated in the results.

The company had acquired Investors Newsletters, formerly an associated company, The Creative Service and Chess Financial Advertising Service. The interim results include no contributions from recent acquisitions.

Gross profit amounted to £1.59m ($693,000) and operating expenses £1.39m (£644,000). The share of loss of associated company came to £29,000 (£20,000) and net interest payable £5,000 (£5,000). Tax amounted to £60,000 (nil) and there was an extraordinary credit of £32,000 (£8,000 debit).

Hillsdown salmon catch

BY CLAY HARRIS

Hillsdown Holdings, the food and furniture group, now controls a majority stake in Pinneys Holdings, the Scottish-based fish processing company which is Britain's largest producer of smoked salmon.

The interest, increased from 20 per cent last year, is held through Clearwater Fine Foods, the unquoted Canadian fishing, processing and distribution company in which Hillsdown has a 45 per cent stake and which serves as a vehicle for all of the UK group's fish activities. Clearwater is the largest North American supplier of lobsters and scallops.

Pinneys is a market leader in preparation of ready-to-cook fresh seafood "recipe dishes".

City & Foreign rights to complete transformation

BY DAVID WALLER

City & Foreign is defying adverse market condions to hold a 42 for 10 rights ssue to raise £101m - by far the argest rights issue since the market crashed. Mr Christopher Mils, a *C&F* director, said that the issue of 50.5m new shares had been fully underwritten - but only after enormous difficult.

The money raise will help finance the $200m (£111m) acquisition of the US-based management consultanc Alexander Proudfoot which will complete the C&F's transformation from investment trust to a business services. Effectivly a reverse takeover, the transaction was first announced in August, but then no details of the financing were revealed.

In order to get the issue away, Proudfoot's management have made presentations to dozens of City institutions, and Samuel Montagu & Co., C&F's advisers, have devised an ingenious scheme to make the issue more attractive to underwriters who might also want to invest in the new company.

The scheme provides that an underwriters' liability to subscribe for shares not taken up by shareholders is reduced by the extent to which the underwriter has bought shares on its own account.

Thus if the underwriter is committed to picking up 5m new shares, and decides to buy 2m shares, he will only be liable to subscribe to 3m shares if the *issue flops. He will get the full* 1¼ per cent commission on the entire £5m.

The shares are being offered at 200p, against the price of 246p at which they were suspended in August. Mr Mills said that the price of the shares had been cut from the 250p originally intended to reflect market conditions. The consideration payable for the business had not been reduced in dollar terms, but had fallen in sterling terms because of the dollar's fall over recent weeks.

Mr Mills said that Proudfoot's exposure to currency fluctuations is limited due to the fact that only 25-28 per cent of its turnover derives from the US. At an exchange rate of £1=$1.625, the new company's profit before tax is forecast to be £23.4m in the year to December - against a pre-interest profit of £1.3m at C&F alone.

Chaired by Lord Stevens of MIM, C&F relinquished its investment trusts status in January this year and bought a number of small companies, primarily debt-collecting agencies and language schools. It is to be renamed Alexander Proudfoot when the new shares are listed next week.

The balance of the purchase consideration as well as the expenses of the transaction are being covered by a $43m loan facility. Chase Manhattan Securities and James Capel handled the placing.

SHARE STAKES

The following canges in shares stakes were reprted during the past week:

Pavilion Leisure - F G Porter and Associates and Gillport Hotels have incrased their holding to 200,000 (1.6 per cent).

Geers Gross On November 3 the following directors purchased shares: R E Geers 35,000 at 42p, 15,000 at 45p each; R Gross 25,000 50p per share.

Stormgard - Director D W Dunn purchased 100,000 ordinary at 10.5p each and 150,000 at 14p.

Blue Arrow - Director M Fromstein acquired 300,000 beneficial ordinary shares.

Brown & Jackson - *Director* C A Reid purchased 75,000 ordinary at 44p and 25,000 ordinary at 50p per share.

Mount Charlotte Investments - Managing director R E G Peel purchased 50,000 ordinary on October 26.

Automated Security (Holdings) - Director Mr Kenneth Macfarlane Coupar acquired 10,000 ordinary at 218p and now holds 73,128 shares (0.104per cent).

Dean and Bowes - Mr Stephen Dean, chairman, has acquired an additional 46,000 shares in company.

Howard Warner Group - Mr Robin Henry Phillips, a director, has acquired 30,000 ordinary (0.13 per cent). His total holding as altered, including holdings as a trustee, represents 51.7 per cent.

Berisely and Hey Hill - Director H P Starbuck purchased 50,000 ordinary at 22p and 50,000 ordinary at 21p on November 4.

COMMODITIES AND AGRICULTURE

Aluminium traders shrug off stocks fall

By Kenneth Gooding, Mining Correspondent

NEWS YESTERDAY that world aluminium stocks in September showed a fall much bigger than some traders expected did little to steady the price which fell again.

The International Primary Aluminium Institute revealed that stocks were down by 119,000 tonnes compared with the 60,000 tonnes widely anticipated.

In normal circumstances that would have been enough to give the price a substantial boost but *yesterday the London Metal Exchange* cash price for standard grade, or 99.5 per cent purity, metal dropped £12.50 to £925 a tonne.

"The market has become very weary, very uncertain and divorced from fundamental news", said Mr Angus McMillan, director of metals and mining research at *Shearson Lehman Brothers.*

He pointed out, however, that the market should not have been surprised by the size of the fall in IPAI non-socialist world stocks because last week European stocks were shown to have fallen by 44,000 tonnes.

Aluminium emerged as the principal casualty after equity markets began their plunge on October 19.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per *tonne, in warehouse,* 2,260-2,300 (2,290-2,330).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.60-4.75 (4.70-4.80).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.90-3.05 (2.95-3.05), sticks 2.90-3.05 (2.95-3.05).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.40-6.65 (6.40-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 293-303 (298-306).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.83-2.90 (2.88-2.95).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 6.55-6.70 (6.55-6.70).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 46-56 (44-55).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.80-2.90 (2.80-2.90).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.75 (16.65).

Rubber prices below 'may sell' level

BY WONG SULONG IN KUALA LUMPUR

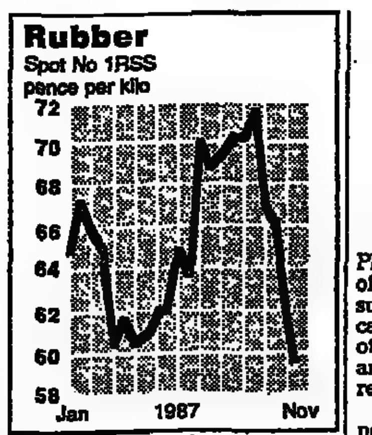
RUBBER PRICES have fallen to below the "may sell" level set by the International Natural Rubber Organisation for the first time in nearly three months as a result of the uncertainties in the global stock markets and lack of buying interest among consumers.

The INRO five day moving average for November 9 stood at 230.64 Malaysian/Singapore cents a kg, compared with the "may sell" level of 232 cents.

The highest point reached this year was on September 22 when the five day moving average (effectively the average rubber-price) was 240.35 cents, or 1.65 cents below the "must sell" level.

The buffer stock manager is believed to have sold about 10 per cent of his 370,000 stockpile during the past two months, but is now out of the market as the current price range requires no intervention on his part.

Traders say during the past two weeks rubber prices weakened considerably because of the crash on the stock markets and sluggish interest among European and Far East buyers.



They add, however, that fundamentals are still strong and that prices are expected to remain firm for the rest of the year, and probably up to April next year.

The latest Malaysian Rubber Exchange market report said stocks were low in both producer and consumer countries.

Thai sugar dispute settled

A DISPUTE threatening Thailand's sugar exports has been *settled after thousands of angry* sugar planters demonstrated in Bangkok, **reports Reuter.**

The dispute, over the role of the Thai Cane Sugar Corp (TCSC), set up by the Government, planters and millers to protect prices, was settled late Monday after a day of tense talks *at the Industry Ministry,* officials said.

Industry officials said millers, who had refused to take export orders for the 1987/88 crop pending settlement, accepted a compromise under which the Corporation remains but the millers' commitments of sugar *sales to it are reduced.*

The commitments were cut to one-sixth of national production from about one-third.

Revenues from sales of the new amount, along with profits from the molasses produced as a by-product, will be shared 70 pct by planters and 30 pct by millers.

About 5,000 planters who rallied outside the ministry as planters, millers, exporters and officials held talks disbanded following announcement of the compromise.

Millers had been seeking to return to the system operating before the corporation was set up, *allowing them to buy from* planters and to export without intervention from the TCSC.

They had said they would not accept any export orders for the 1987/88 (November-October) crop year until the TCSC was abolished.

Planters favour the TCSC arrangement because they say it prevents millers from exploiting them by setting purchase prices lower than production costs as had happened in 1982. The TCSC was set up in response to the crisis that year.

EC Commission split over bio-ethanol plan

BY QUENTIN PEEL IN BRUSSELS

PLANS TO convert big tonnages of Europe's cereal and sugar-beet surpluses into bio-ethanol have caused a deep split in the ranks of the European Commission - and may have to be shelved as a result.

A damning analysis of the economics of the scheme, suggesting *that production subsidies would* cost more than double the current cost of cereal export subsidies, has been presented by independent analysts. They say the required subsidy costs per hectare of wheat could total more than Ecu900, compared with the current export subsidy cost per hectare of only Ecu390.

However backers of the fuel-from-grain production, for which Mr Raoul Gardini's Ferruzzi agro-industrial empire has been lobbying furiously in recent months, argue that it should be given a chance to help cut the EC grain and sugar mountains.

A fierce battle between *supporters and opponents of the* scheme is due to come to a head today, when it is formally presented to the 17-man Commission.

Those in favour, led by Mr Jacques Delors, the Commission president, and Mr Frans Andriessen, the Agriculture Commissioner, say the plans must be taken *seriously, and want a subsidy* scheme to be drawn up in detail.

They admit that the economics of the scheme look dubious at current price levels, but argue that alternative uses must be found for the EC farm output - and farmers must be given a "political signal" that every effort is being made to help them.

They also argue that bio-ethanol is a renewable energy source and, as an alternative fuel additive to lead in petrol, better for clean air.

The opponents, led by Lord *Cockfield, the British Commissioner* responsible for the internal market, Mr Nicolas Mosar, the Energy Commissioner, and Mr Peter Sutherland, the Competition Commissioner, say any subsidy scheme would not only be grossly uneconomic, but also a serious distortion of competition with alternative fuel additives.

The independent study ordered by the Commission concluded that bio-ethanol would cost Ecu40 (£33.80) per hectolitre to produce, as against a market price of only Ecu9, or less than one-fifth of the cost.

In terms of subsidies per hectare, *it suggests that whereas current* export subsidies for wheat are around Ecu390, the equivalent for producing ethanol would be between Ecu872 and Ecu920.

"Everyone knows the economics are crazy, but the decision is going to be taken on political grounds," according to one senior Commission official.

The opponents say the scheme would distort competition with rival oil-based fuel additives - and in the market for by-products of the process like starch, glucose and gluten. Indeed, they would actually make inroads on the existing *cereals sold for animal feedstuffs.*

They warn that rival products, produced themselves as by-products of petro-chemical plants, could be steadily reduced in price to force up the cost of bio-ethanol subsidies even more.

They also maintain that bio-*ethanol is not environmentally* attractive as an alternative to lead in petrol - one reason why Mr Stanley Clinton Davis, the Environment Commissioner, is opposed.

On a national level, the whole debate has also split the member states in the Council of Ministers, and a major debate is scheduled for the Energy Ministers' meeting on Friday.

It is strongly backed by three key Farm Ministers: Mr Filippo-Maria Pandolfi of Italy, Mr Francois Guillaume of France, and Mr Ignaz Kiechle of West Germany.

However even in Italy the Government is divided, and in the Commission Mr Carlo Ripa di Meana is a strong opponent, whereas Mr Lorenzo Natali is in favour. Both French Commissioners, and both German Commissioners, are understood to be supporters.

Officials now say that today's debate will not reach any conclusion, with the two camps relatively evenly balanced. But Mr Andriessen will argue that a modest scheme - a sum of Ecu125m in subsidies for the first year has been mentioned - could be drawn up without compromising the issues at stake.

Confusion reigns in US wheat market

By Nancy Dunne in Washington

CONFUSION REIGNED among US wheat traders both yesterday and on Monday as prices blipped down on the anouncement of auction of US government-owned wheat and up in response to a new offer of subsidised wheat *to the Soviet Union.*

On Monday wheat futures sank by about 3 cents a bushel after the US Department of Agriculture announced the results of the first of a series of weekly wheat auctions.

However, on Monday after the markets closed, the Department announced that it had offered 2.4m tonnes of subsidised wheat to the Soviet Union. Prices rose in early trading yesterday by 2 cents to $2.86½ for December wheat.

The 2.4m *tonnes offer* was less than the markets had expected, according to Mr Tom Murray, an analyst with Stotler and Company. However, traders believe that the US will offer Moscow more subsidised wheat under the Export Enhancement Program (EEP) later on. An EEP offer is also expected for China.

The markets have been unenthusiastic about USDA's projected *wheat auctions.* When they were first announced 12 days ago, wheat futures plummeted 15 cents on worry that new supplies will depress prices, particularly if the wheat is sold, as some fear, at "firesale" prices.

When the USDA released the results of its first auction late on *Monday some of the worries* seemed justified. Prices were varied for different types and qualities of wheat, but the inital reaction among traders was that they were low.

The Department offered 10m bushels for auction on Friday, and although bids for far more were receivd, only bids for 3.6m bushels were accepted. Purchasers were required to pay in commodity certificates, a form of currency created by the USDA, which is redeemable at government warehouses for surplus stocks.

Commodity certificates are paid to farmers participating in USDA progammes. Farmers were expected to sell the certificates to grain traders, but certificate values have escalated and the USDA said there has been some difficulty in getting the certificates into private hands.

The USDA plans to hold wheat auctions on most Fridays at least through to January 8, at which point the programme will be re-evaluated. Next Friday 10m bushels will again be offered, but the amount on the block is expected to vary, according to one official.

Bangladesh in drive to improve its energy efficiency

Alastair Guild examines efforts to introduce a more commercial approach to the oil and gas sector

MINISTERIAL APPROVAL is expected soon for reforms intended to transform Bangladesh's energy sector. The proposals are essentially intended to introduce a more commercial approach to *oil, gas and mineral exploration,* preparing the way for a much greater degree of private sector involvement.

The World Bank has made future credits conditional on the reforms being carried out - the first time (though probably not the last) that donors have been so categorical - and the Government has indicated its agreement to the new conditions.

At present, the majority of development money for oil, gas and minerals is channelled through Petrobangla, a state corporation. But reserves that could be exploited have either not been identified as quickly as they should have been or their exploitation has been unduly delayed. An inappropriate organisation and resulting inefficiency was highlighted as the root cause in a report on the energy sector by Coopers and Lybrand and British Gas.

Under the proposed reforms all Petrobangla's operating assets would be placed in separately registered companies handling exploration for oil, gas and minerals, each capable of carrying *out exploration and drilling.* There are already five registered companies in the energy sector, handling gas production and distribution with a limited amount of production of recently discovered oil. These have proved to be reasonably efficient and, says the Coopers' report, could be used as a model for the activities of the new companies.

Bangladesh Petroleum Corporation, which, through its subsidiary companies imports, refines and distributes oil and oil products, buying condensate and oil from Petrobangla at a commercial rate, will continue to operate at arms length from the new holding company and its subsidiaries.

Although Petrobangla would initially hold all shares in the new operating companies, part of the intention of the reforms is to simplify the administrative arrangements for dealing with foreign exploration companies, also making the sector more attractive for outside equity participation, whether from within Bangladesh or overseas.

In addition a promotional project is now underway, with foreign assistance, to identify petroleum blocks which Bangladesh could licence to foreign exploration companies, encouraging them to participate on a joint venture or production-sharing basis.

The true extent of the country's gas reserves should become clearer as results flow from a development project co-ordinated by the World Bank. The only available figure of 11 trillion cubic feet (tcf) is based on work carried out some 10 years ago.

Gas reserves are concentrated in the northern half of Bangladesh's east zone. These are in general economic to extract at present prices, but the offshore reserves are not. However, one of the main thrusts of the promotion project and Petrobangla's drilling activities will be to identify reserves in the western zone.

Gas is the main source of power in Bangladesh at present and, even on conservative estimates, the country has sufficient reserves to last to 2030. Given present world oversupply, however, it is unlikely to become an exporter.

Gas is also a major source of government revenue. Of the price paid for gas, the Government receives at least three quarters in the form of excise duties, dividend income and company taxes.

Around Tk2,000m (£40m) is ploughed back by the Government into the sector as new investment, representing an approximate balance with energy sector revenues.

Prices, fixed in negotiation with the aid donors, have been moving upwards at over 15 per cent per annum for the last two years, reflecting the true costs of production more closely.

Oil, on the other hand, has so far been discovered in one well only, in the north east at a depth of 5,000 ft yielding 400 barrels per day (bpd). There is optimism that more reserves will be found in the area, part of the same basin as Assam, which also has modest reserves, while Shell is currently carrying out seismic surveys and drilling in north west Bangladesh.

The country has, in addition, large proven reserves of coal, in the west zone, though it is questionable whether they would be economic to extract at present, given the lack of large users nearby. But the construction of a giant coal-fired power station is now being considered, or the export of coal to India.

The economics of extracting hardrock and limestone, for cement, mainly found in the west zone, would also improve considerably should the multi million pound bridge crossing the Jamuna proceed.

However, to push the reforms through by the scheduled date of July next year, Petrobangla will need assistance, particularly in the areas of accounting, management and engineering, says the Coopers and Lybrand report.

Petrobangla already has a computerisation programme underway. But most of its companies operate outside Dhaka where telecommunications are poor, so stand-alone systems are being planned which will later be networked when the country's telecommunications improves.

Improved efficiency in its energy sector, which accounts for 25 per cent of total government development expenditure, is particularly important for the Bangladesh economy and its people.

WORLD COMMODITIES PRICES

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 9	Nov 6	month ago	year ago
1663.3	1656.1	1677.3	1616.5

DOW JONES (Base: September 18 1931 = 100)

Spot	126.51	126.55	128.81	121.09
Futures	129.00	129.02	131.16	120.69

LONDON MARKETS

COPPER PRICES resumed their sharp upward trend on the London Metal Exchange yesterday after faltering on *Monday. The price of cash metal* reached the highest levels for 13 years following a strong trend in New York, where the $1 a lb level was breached. The market continues to respond to extremely tight physical supplies of the metal, reflected in the increasing backwardation, or premium for cash copper over three-month forward metal. The premium rose to £232.50 a tonne yesterday from Monday's £172.50. Nickel prices also rose slightly yesterday, following the strong copper trend. Meanwhile cocoa prices, which dealers believe are undervalued in London compared with New York, ended a fairly active day near session highs. Prices are due for a technical recovery, but the recent strength of sterling and the likelihood of sales by producing countries could provide a barrier, dealers said. The market is also cautious ahead of the International Cocoa Organisation's talks at the end of this month, which could lead to a cut in the lower intervention level for the buffer stock. Coffee prices were also ahead, helped by strength in New York, and in spite of the further slide of the dollar. Fears about tightness for top quality arabica coffees is underpinning the market, dealers said.

LONDON BULLION MARKET

Gold (fine ounce)

	$ price	£ equivalent
Close	$458-458½	£255¾-256¼
Opening	$460-460½	£256-256½
Morning fix	$458¾	£255.713
Afternoon fix	$458½	£254.937
Day's high	$461-461½	
Day's low	$457-457½	

Gold & Platinum Coins

	$ price	£ equivalent
US Eagle	$458-461	£255½-257¼
Mapleleaf	$458-461	£255½-257¼
Krugerrand	$458-461	£255½-257¼
1/2 Krug	$240-249	£134½-139½
1/4 Krug	$119-127	£66½-71
Angel	$470-475	£263¼-266
1/10 Angel	$47-52	£26¼-29
New Sov.	$107¾-109¼	£60-60½
Old Sov.	$107¾-109¼	£60-61
Britannia	$471-478	£263-266½
Noble Plat	$489¼-499¾	£272½-278

Silver (fine ounce)

	UK pence	US cts equiv
Spot	356.70	641.10
3 months	364.40	652.90
6 months	371.80	664.80
12 months	387.10	690.25

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Nov	Oct	Nov

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	83	74	80	110
1625	71½	64½	93½	125½
1650	61½	56	106	141½

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2100	140	98	94	159
2150	115	80	118½	190
2200	93½	66		223½

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1200	47		45	
1225	36		58½	
1250	27		74½	

SPOT MARKETS

Crude oil (per barrel FOB November)		+ or -
Dubai	16.50-16.60y	+0.075
Brent Blend	17.75-17.80	+0.20
W.T.I. (1 pm est)	18.80-18.90y	+0.225

Oil products (NWE prompt delivery per tonne CIF December)		+ or -
Premium Gasoline	181-183	
Gas Oil	162-163	+2
Heavy Fuel Oil	92-93	-1
Naphtha	155-157	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)	$458.25	-5.50
Silver (per troy oz)	356.70p	-17.00
Platinum (per troy oz)	$478.25	-21.50
Palladium (per troy oz)	$106.25	-3.50
Aluminium (free market)	$1860	-35
Copper (US Producer)	103.50c	+8.00
Lead (US Producer)	42.00c	
Nickel (free market)	289c	
Tin (European free market)	£3990	-2.50
Tin (Kuala Lumpur market)	17.43r	+0.04
Tin (New York)	328.50c	+1.00
Zinc (Euro. Prod. Price)	$820	
Zinc (US Prime Western)	43.375c	
Cattle (live weight)†	98.80p	+1.49*
Sheep (dead weight)†	198.15p	+8.91*
Pigs (live weight)†	73.88p	-0.30*
London daily sugar (raw)	$191.80x	+6.20
London daily sugar (white)	$198.50x	+4.50
Tate and Lyle export price	£212.50	+3.00
Barley (English feed)	£108.00	
Maize (US No. 3 yellow)	£131.25	-0.75
Wheat (US Dark Northern)	£86.50	-0.75
Rubber (spot)♥	59.75p	
Rubber (Dec)♥	61.50p	-0.50
Rubber (Jan)♥	62.00p	-0.50
Coconut oil (Philippines)§	$475.00x	
Palm Oil (Malaysian)§	$365.00	
Copra (Philippines)§	$315.00y	
Soyabeans (US)	$136.00	
Cotton "A" index	75.20c	+0.10
Woollops (64s Super)	486p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lbs. r-ringgit/kg. v-Jan/Mar. x-Nov/Dec.y-Dec. z-Jan/Feb. † Meat Commission average fatstock. * change from a week ago. ♥ London physical market. § CIF Rotterdam

LONDON METAL EXCHANGE

(Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1650-70	1675-85		1660-70		
3 months	1610-30	1625-35	1630/1610	1610-30	1610-30	2,445 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 22,125 tonne
Cash	924-6	935-40	920/918	919-20		
3 months	893-4	900-01	900/898	897-8	890-1	62,700 lots
Copper, Grade A (£ per tonne)						Ring turnover 64,825 tonne
Cash	1405-10	1330-5	1405/1326	1338-42		
3 months	1174-6	1159-61	1190/1140	1150-2	1171-2	82,707 lots
Copper, Standard (£ per tonne)						Ring turnover 100 tonne
Cash	1380-5	1275-80	1310	1315-20		
3 months	1150-5	1159-61		1120-30		37 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	636-9	653-6		636-9		
3 months	648-51	656-8		647-50	650-5	590 lots
Lead (£ per tonne)						Ring turnover 9,450 tonne
Cash	353-5	360-2	355/353	354.5-55		
3 months	335-6.5	339.5-40	336/332.5	334-4.5	332.5-33	12,263 lots
Nickel (£ per tonne)						Ring turnover 1,674 tonne
Cash	3205-15	3175-85	3185/3184	3180-4		
3 months	3160-5	3155-60	3190/3150	3155-60	3190-200	8,037 lots
Zinc (£ per tonne)						Ring turnover 5,975 tonne
Cash	463-4	463-4	456	455.5-56		
3 months	465-6	464-5	466/458	457-8	464-5	14,553 lots

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	161.75	159.75	162.00 159.50
Dec	162.50	160.50	162.50 160.00
Jan	162.00	160.00	162.00 159.75
Feb	160.00	158.00	160.25 158.50
Mar	155.50	154.50	156.00 154.00
Apr	154.00	153.00	

Turnover 5099 (5030) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1225.0	1225.0	1230.0 1220.0
Apr	1252.5	1255.0	1255.0 1250.0
Jly	1118.5	1119.0	1120.0 1118.5
BFI	1173.5	1175.0	1173.5

Turnover 108 (170)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	109.55	109.60	109.55 109.25
Jan	111.75	111.90	111.75 111.35
Mar	113.60	113.90	113.65 113.35
May	116.00	116.15	116.00 115.50
Jly	118.50	118.60	118.50 118.30
Sep	102.85	103.00	102.85 102.85
Nov	104.85	104.85	104.85 104.85

Barley	Close	Previous	High/Low
Nov	104.10	104.45	104.10 104.10
Jan	106.60	106.80	106.50 106.40
Mar	108.80	109.05	108.85 108.60
May	110.45	110.60	110.55 110.30
Sep	99.00	99.00	199.00 199.00
Nov	101.00	101.00	101.00 101.00

Turnover: Wheat 175 (184), Barley 119 (82), lots of 100 tonnes.

COCOA £/tonne

	Close	Previous	High/Low
Dec	1102	1092	1104 1096
Mar	1136	1126	1137 1128
May	1158	1148	1156 1151
Jly	1178	1168	1178 1175
Sep	1196	1187	1196 1193
Dec	1223	1211	1218 1215
Mar	1247	1235	1247 1241

Turnover: 3530 (1838) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 9: 1427.89 (1418.79) .10 day average for November 10: 1442.30 (1446.51).

POTATOES £/tonne

	Close	Previous	High/Low
Nov	82.0	84.0	84.0 82.0
Feb	102.0	102.0	
Mar	94.0	92.0	
Apr	156.4	154.0	156.8 154.8
May	170.0	168.2	170.0 168.5
Nov	90.0	90.0	

Turnover 804 (577) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	133.50	132.00	
Feb	133.50	132.00	133.00
Apr	132.50	131.50	
Jun	124.00	123.50	
Aug	122.00	121.00	
Oct	123.00	122.50	
Dec	125.00	125.00	

Turnover 50 (95) lots of 100 tonnes.

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	170.00	171.20	171.00 169.00
Mar	175.20	177.20	177.40 175.00
May	177.00	177.40	177.40 176.00
Aug	177.00	177.40	177.20 176.00
Oct	177.80	178.20	179.00 177.40
Dec	180.00	179.80	0 0
Mar	185.00	188.00	0 0

White	Close	Previous	High/Low
Dec	200.50	203.00	196.80 198.00
Mar	206.00	207.50	208.50 201.50
May	210.50	212.00	209.90 209.90
Aug	215.00	217.00	213.00 213.00
Oct	216.00	218.00	213.50 213.50
Dec	217.00	220.00	0 0
Mar	223.50	222.00	0 0

Turnover: Raw 9550 (2254) lots of 50 tonnes. White 1460 (1555).
Paris- White (FFr per tonne):Dec 1126, Mar 1170, May 1195, Aug 1230, Oct 1230,Dec 1240.

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1261	1253	1260 1246
Jan	1293	1285	1294 1280
Mar	1320	1309	1315 1300
May	1340	1336	1337 1325
Jly	1360	1353	1357 1350
Sep	1380	1380	1375 1370
Nov	1400	1400	0 0

Turnover: 1329 (1677) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 9 :Comp. daily 116.29 (115.09) . 15 day average 112.49 (112.18).

COTTON

Liverpool - Spot and shipment sales for the week ending November 6 amounted to 1186 tonnes against 694 tonnes in the previous week. The range of styles varied and trading was moderately steady with American growths recieving most attention.

JUTE

November/December c and f Dundee: BTC $570, BWC $560, BTD $495, BWD $485. c and f Antwerp: BTC $540, BWC $530, BWD $475, BTD $485.

US MARKETS

Early commission house selling in precious metals was met by trade support but later in the day the trade turned scale-up seller as the commission houses covered, reports Drexel Burnham Lambert. Gold and silver both *closed with pared losses. Platinum* opened lower but recovered on local short-covering. Copper rallied sharply on fund and commission house buying as well as short-covering as the market broke the $1.00 level, basis December. Crude oil was dominated by local trading and rallied on short-covering. Sugar fell on persistent trade selling in the face of commission house buying. Coffee eased on fund and local selling, though short-covering pared losses. Cocoa prices rallied on trade and technical buying. Cotton firmed in early trading in response to bullish interpretations of the crop report, but trade selling reversed the market's direction later on. Indications of good consumption in both cattle products and pork bellies firmed the futures markets, which tended to pull the hogs market with them. Early commercial selling in soyameal eased prices before buying emerged to firm prices. Soyabeans rallied in sympathy, but there was more strength in the November contract, reflecting diminishing deliveries. Maize rallied on commission house and professional buying on reports of Soviet interest, while reports of further allocations of subsidised sales to the Soviet Union firmed wheat.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	461.0	461.9	0 0
Dec	462.4	463.3	463.8 422.7
Jan	465.0	465.8	0 0
Feb	468.3	469.1	469.7 463.5
Apr	473.9	474.7	475.3 469.0
Jun	479.5	480.3	479.5 475.0
Aug	485.3	486.1	485.0 481.0
Sep	460.0	460.0	461.0 461.0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	173.80	365.00	174.00 170.00
Jan	158.10	158.75	158.35 156.75
Mar	155.10	154.40	155.45 154.25
May	154.90	164.00	155.35 154.00
Jly	154.80	154.25	154.90 154.70
Nov	152.50	151.65	151.90 151.90
Jan	152.10	150.90	0 0
Mar	152.10	150.90	0 0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1884	1834	1890 1845
Mar	1912	1867	1915 1877
May	1937	1896	1944 1906
Jly	1964	1926	1966 1942
Sep	1993	1956	1996 1972
Dec	2030	1992	2033 2006
Mar	2056	2026	2050 2042

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	128.75	127.10	128.20 126.55
Mar	131.15	131.56	132.65 130.90
May	132.90	133.05	134.45 132.80
Jly	134.40	134.75	135.85 134.40
Sep	135.60	136.74	137.00 135.60
Dec	136.60	136.38	137.00 136.60
Mar	137.80	136.00	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	105.20	98.10	102.10 102.10
Dec	102.40	94.70	102.60 94.50
Jan	99.00	92.45	93.00 93.00
Mar	92.40	88.00	92.50 87.60
May	86.40	84.00	86.50 84.00
Jly	84.20	82.00	84.50 81.80
Sep	82.50	80.40	84.00 80.30
Dec	81.50	79.70	80.70 80.00
Jan	81.40	79.60	0 0
Mar	81.30	79.50	0 0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	484.8	497.8	479.0 478.0
Dec	487.1	500.1	0 0
Jan	489.8	502.8	496.0 479.0
Apr	497.1	510.6	502.0 487.0
Jly	505.1	518.6	499.0 496.0
Oct	513.1	526.6	0 0
Jan	521.8	535.1	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	650.5	651.3	0 0
Dec	653.0	654.0	658.0 653.0
Jan	656.9	658.0	0 0
Mar	666.5	667.7	671.0 647.0
May	674.9	676.3	673.5 659.0
Jly	683.4	685.0	686.0 666.0
Sep	692.5	694.2	675.0 675.0
Dec	707.1	709.0	709.0 690.0
Jan	711.6	713.6	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	7.30	7.27	7.30 7.20
Mar	7.81	7.83	7.80 7.77
May	7.87	7.91	7.90 7.83
Jly	7.86	7.91	7.90 7.82
Oct	7.93	8.01	8.00 7.91
Jan	8.09	8.27	0 0
Mar	8.22	8.28	8.25 8.18

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	65.82	67.55	67.90 65.80
Mar	67.06	68.70	69.00 67.00
May	67.88	69.40	69.80 67.80
Jly	67.90	69.40	69.80 67.70
Oct	64.25	65.65	65.80 64.65
Dec	63.07	64.07	64.15 63.00
Mar	64.50	65.40	65.40 64.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	18.93	18.80	18.97 18.77
Jan	18.84	18.56	18.91 18.69
Feb	18.78	18.51	18.83 18.63
Mar	18.74	18.50	18.78 18.57
Apr	18.66	18.46	18.73 18.54
May	18.64	18.42	18.65 18.50
Jun	18.50	18.35	18.63 18.46
Jly	18.50	18.30	18.50 18.43
Aug	0	18.28	18.48 18.48
Sep	18.50	18.30	18.50 18.44

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	55.70	54.95	55.80 55.15
Jan	55.30	54.45	55.40 54.75
Feb	54.70	53.80	54.70 54.10
Mar	52.60	51.90	52.80 52.15
Apr	51.00	50.10	51.00 50.55
May	0	48.80	48.50 48.35
Jun	49.45	48.75	49.45 48.50
Jly	48.50	48.75	48.50 48.50
Aug	0	50.30	0 0
Sep	0	50.75	0 0

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.54	17.51	17.58 17.41
Jan	17.69	17.66	17.72 17.58
Mar	18.05	18.01	18.07 17.92
May	18.38	18.28	18.38 18.22
Jly	18.60	18.48	18.60 18.43
Aug	18.65	18.57	18.65 18.50
Sep	18.72	18.60	18.75 18.55
Oct	18.72	18.65	18.70 18.75
Dec	18.95	18.90	18.95 18.80

SOYABEAN MEAL 100 tons; $/t

	Close	Previous	High/Low
Dec	190.9	188.6	[illegible] 187.5
Jan	185.1	182.4	185.181.8
Mar	179.3	177.5	179 176.5
May	174.5	173.8	175 172.0
Jly	171.2	171.7	172 170.0
Aug	170.2	171.7	171 169.0
Sep	168.0	169.0	169. 168.0
Oct	168.7	167.7	168.[illegible]
Dec	168.5	167.5	169.5 [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	287/2	284/4	288/6 288/[illegible]
Mar	300/2	298/4	301/4 298/[illegible]
May	301/4	299/0	302/0 300/[illegible]
Jly	288/2	285/6	288/6 286/2
Sep	292/4	290/0	293/0 291/0
Dec	301/0	299/0	301/0 299/0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	44.32	43.62	44.42 43.10
Feb	43.00	42.37	43.15 42.00
Apr	39.72	39.37	39.90 39.07
Jun	42.90	42.62	43.02 42.37
Jly	43.10	42.85	43.20 42.72
Aug	42.05	41.70	42.20 41.40
Oct	39.30	39.12	39.85 38.70
Dec	39.95	39.55	39.95 39.25

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	181/4	180/0	181/4 179/6
Mar	187/0	185/2	187/0 185/2
May	191/6	190/2	191/6 190/2
Jly	195/4	194/0	195/4 194/0
Sep	192/4	192/4	194/0 192/2
Dec	191/4	192/4	193/2 190/6
Mar	196/4	197/4	197/6 196/0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	57.42	55.45	57.45 55.25
Mar	57.20	55.32	57.25 55.05
May	58.35	56.62	58.35 56.38
Jly	58.00	56.45	58.30 56.15

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	549/2	545/2	550/4 545/0
Jan	555/2	553/2	557/4 551/2
Mar	561/2	559/0	563/2 557/2
May	565/2	563/2	566/6 561/0
Jly	566/2	563/2	568/0 562/4
Aug	563/4	560/0	566/0 562/2
Sep	556/0	553/0	557/4 553/2
Nov	554/2	551/2	555/6 550/4
Jan	560/0	557/0	0 0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	64.42	[illegible]	[illegible]
Feb	61.10	6077	61.45 60.50
Apr	63.32	6890	63.75 62.80
Jun	63.20	6820	63.65 62.75
Aug	61.65	6.57	62.00 61.20
Oct	60.45	6.50	60.95 60.25
Dec	61.30	6.75	61.80 0

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up from record low

THE DOLLAR continued to lose ground in currency markets yesterday, falling to record lows against the D-Mark, Swiss franc, Japanese yen and Dutch guilder.

Rumours about the US administration's attitude towards a further dollar decline and the lack of real progress in talks to cut the budget deficit meant that the dollar had only one way to go. The extent of its decline was dictated more by a general reluctance to push the US unit into unknown territory, neccessitating speculators to run short dollar positions and increasing their exposure to any bounce back.

The mood of the market was clouded further by today's closure of US markets for Veteran's Day and the release tomorrow of US trade figures. No-one was expecting much improvement in the trade figures but towards the close of trading in London, greed gave way to sentiment and a steady bout of profit taking meant that the US unit finished well above the day's lows.

Comments by President Reagan, claiming that the US did not want to see a weaker dollar were seen as providing the catalyst for speculators to take profits. The dollar closed at DM1.6650 up from DM1.6590, having touched a record low of DM1.6475. Against the yen it came back to Y134.50 after a record low of Y133.10 compared with Monday's close of Y134.20. Elsewhere it finished at SFr1.3650 from SFr1.3635 and FFr5.6525 compared with FFr5.6300. On Bank of England figures, the dollar's exchange rate index rose from 95.9 to 96.0.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 75.5, unchanged from the opening but down from 75.6 on Monday. The six months ago figure was 72.1.

Sterling remained on the sidelines for most of the day. Conditions were much the same with traders aware of the Bank of England's determination not only to keep the pound from moving above DM3.00 but also from moving significantly lower. The pound touched $1.8005 against the dollar but came back to finish at $1.7860, down from $1.7950 on Monday. Against the D-Mark it finished at DM2.9725 from DM2.9775 and Y240.25 from Y240.75. Elsewhere it fell to FFr10.0950 from FFr10.1050 and SFr2.4375 compared with SFr2.4475.

D-Mark-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 151.4 against 147.0 six months ago.

The dollar fell to a record fixing low of DM1.6530 in Frankfurt down from DM1.6719 on Monday but there was no intervention by the Bundesbank.

Opinions remained divided about the Bundesbank's absence. Some suggested that there were no technical imbalances at the fixing so the authorities did not intervene. However others suggested that concerted help for the dollar would have only limited value until the US administration arrived at some solution regarding the US budget deficit.

The Bundesbank did make a nominal purchase of dollars during the morning but with the US Federal Reserve still on the sidelines, there appeared to be little incentive to intervene

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 229.0 against 226.8 six months ago.

Short covering and continued intervention by the Bank of Japan allowed the dollar to finish a record trading low of Y133.30 at Y133.65 although this was still well below the Y134.25 close in New York and Y135.0 in Tokyo on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1706	+1.68	+0.93	±1.5344
Danish Krone	7.85212	7.95520	+1.31	+0.56	±1.6404
German D-Mark	2.05853	2.06068	+0.10	-0.65	±1.0981
French Franc	6.90403	7.01156	+1.56	+0.81	±1.3674
Dutch Guilder	2.31943	2.31842	-0.04	-0.71	±1.5012
Irish Punt	0.768411	0.776395	+1.04	+0.29	±1.6684
Italian Lira	1483.58	1520.43	+2.48	+2.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.10	Latest	Previous Close
£ Spot	1.7965-1.7975	1.7095
1 month	0.32-0.30cpm	0.32-0.30pm
3 months	0.68-0.64cpm	0.68-0.64pm
12 months	1.85-1.75cpm	1.85-1.75pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Nov.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7855-1.8005	1.7855-1.7865	0.33-0.30cpm	2.12	0.60-0.55pm	1.29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
Mexico	3042.60-3046.10	1697.00-1700.00
N. Zealand	2.8815-2.8915	1.6015-1.6040
Saudi Ar.	6.7330-6.7380	3.7480-3.7485
Singapore	3.6730-3.6805	2.0430-2.0440
S. Af (Cm)	3.4960-3.5120	1.9425-1.9465
S. Af (Fn)	5.8520-6.0490	3.2520-3.3615
Taiwan	53.25-53.55	29.80-29.90
U.A.E.	6.5975-6.6030	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.534	0.889	71.88	3.020	0.729	1.	655.2	0.706	18.49
Lira	0.457	0.816	1.357	109.7	4.610	1.113	1.526	1000.	1.077	28.22
C $	0.424	0.757	1.260	101.9	4.280	1.033	1.417	928.6	1.	26.20
B Fr.	1.618	2.890	4.810	388.8	16.35	3.944	5.409	3544.	3.816	100.

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES

A day of consolidation

A DAY of consolidation was seen on the London International Financial Futures Exchange, with long term gilt futures holding above a support point and US Treasury bond futures finishing unchanged on the day.

Trading was described as quiet in lower volume. An attempt to mark up gilt futures, after a fall in Japanese share prices, failed at the opening, as the market turned its attention to Japanese and US bond prices.

In Tokyo bond prices fell sharply at the close on fears that a large securities house sold bonds as part of an end of financial year technical operation.

In New York and Chicago prices of Treasury bonds in the cash and futures markets opened lower, depressed by reports of Japanese selling of seven-year and 10-year notes, as well as 30-year bonds.

Doubts that the White House and Congress will agree on a satisfactory cut in the US budget deficit, and nervousness about the weakness of the dollar also overhung the market.

December long-term gilt futures opened lower at 124-26, and moved down towards a support level of 124-01, but held at the day's low of 124-06. There was a limited rally in the afternoon on short covering by local traders, but the contact then fell back again, as sterling declined against the dollar, to close at 124-16, compared with 125-08 on Monday.

Traders commented that the announcement of gilt taplets by the Bank of England had no impact.

Three-month sterling deposit futures opened higher at 91.69 for December delivery, as the early weakness of London share prices increased expectations of an imminent cut in clearing bank base rates.

The later recovery in equities eased the immediate pressure for a rate cut, and December short sterling fell back to close just above the day's low, at 91.56.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	9.16	9.37	0.00	0.37
118	7.17	7.59	0.01	0.59
120	5.22	6.27	0.06	1.27
122	3.35	5.05	0.19	2.05
124	2.04	3.59	0.92	2.49
126	0.63	2.61	1.47	3.61
128	0.28	2.10	3.12	5.10
130	0.14	1.34	4.62	6.34

Estimated volume total, Calls 5329 Puts 2900
Previous day's open int: Calls 43446 Puts 33965

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	7.25	7.27	0.03	1.01
84	5.32	5.62	0.10	1.36
86	3.45	4.44	0.29	2.18
88	2.10	3.38	0.52	3.12
90	1.10	2.44	1.52	4.18
92	0.34	1.61	3.12	5.35
94	0.16	1.25	4.98	6.63
96	0.10	0.62	6.32	8.36

Estimated volume total, Calls 80 Puts 37
Previous day's open int: Calls 2949 Puts 2062

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
18000	0.44	2.90	23.04	25.50
18250	0.31	2.49	25.41	27.59
18500	0.21	2.13	27.81	29.73
18750	0.15	1.81	30.25	31.91
19000	0.10	1.54	32.70	34.14
19250	0.07	1.30	35.17	36.40
19500	0.04	1.10	37.64	38.70
19750	0.03	0.93	40.13	41.03

Estimated volume total, Calls 5 Puts 5
Previous day's open int: Calls 79 Puts 177

LIFFE £/$ OPTIONS

[illegible]

LIFFE SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE-EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7837	1.7910	1.7805	1.7867
Mar	1.7792	-	-	1.7826
Jun	1.7755	1.7809	1.7755	1.7790

Estimated volume 24 (0)
Previous day's open int. 170 (170)

MONEY MARKETS

UK rates steady

INTEREST RATES were steady on the London money market yesterday, with three-month interbank unchanged at 8 11/16-8 9/16 p.c. Dealers continued to look for an early cut in UK bank base rates, but a recovery in London equity prices from a very weak start removed the immediate pressure.

UK clearing bank base lending rate 9 per cent from November 5

An early round of assistance was offered by the Bank of England, after forecasting another very large credit shortage, but the authorities did not operate at that time, as discount houses remained reluctant to sell bills outright at the existing intervention rate.

The Bank of England initially forecast a money market shortage of £1,000m, but revised this to £1,050m at noon, and back to £1,000m in the afternoon. Total assistance of £1,145m was provided.

Before lunch the authorities bought £468m bills, including £154m outright, by way of £22m bank bills in band 1 at 8⅞ p.c., and £132m bank bills in band 2 at 8⅞ p.c. Another £314m bills were purchased for resale to the market in equal amounts on November 30 and December 7 at a rate of 8 15/16 p.c.

In the afternoon help of £427m was given, including purchases of £230m bills outright, through £110m bank bills in band 1 at 8⅞ p.c., and £120m bank bills in band 2 at 8⅞ p.c.

A further £197m bills were bought for resale to the market in equal amounts on November 30 and December 7 at 8 15/16 p.c.

Late assistance of £250m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £892m, with Exchequer transactions absorbing £35m, and bank balances below target £110m. These factors outweighed a fall in the note circulation adding £50m to liquidity.

In Frankfurt call money was steady at 3.60 p.c., after the West German Bundesbank announced a 28-day securities repurchase agreement tender at 3.50 p.c.

The Bundesbank said it would offer funds at this rate, down from 3.80 p.c. at the last tender, when the Lombard rate was cut last week to 4.5 p.c. from 5 p.c.

The main question is the size of today's allocation, as DM13.8bn drains from the market through expiring agreements. Intervention on the foreign exchanges to sell the D-Mark against the dollar has increased the amount of money in circulation, which may lead to a reduction in the amount of bids accepted.

Last week the central bank did not replace an expiring agreement of DM7.3bn, because liquidity had been increased

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.10) 3 months US dollars		6 months US Dollars	
bid 6⅝	offer 6⅞	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.75
Broker loan rate	7.75
Fed.funds	6⅝
Fed.funds at intervention	6⅝

Treasury Bills and Bonds			
One month	4.65	Three year	7.92
Two month	4.73	Four year	8.13
Three month	5.80	Five year	8.27
Six month	6.47	Seven year	8.62
One year	6.96	10-year	8.80
Two year	7.61	30-year	8.88

Nov.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.50-3.65	3.80-3.95	3.85-4.00	3.90-4.05	4.50
Paris	8.8125	9.00	9.00	9.00	9.00	8.25
Zurich	1.00	2.50	-	3.50	-	-
Amsterdam	4.5625	5.0625	-	5.0625	-	-
Tokyo	3.28125	3.84375	-	3.96875	-	-
Milan	10.25	10.75	-	11.625	-	-
Brussels	4.80	6.75	-	7.0625	-	-
Dublin	8.6250	8.75	9.00	9.1250	9.3750	-

LONDON MONEY RATES

Nov.10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10.00	9.50	9.00	8.6875	8.6875	8.75
Interbank Bid	7.00	9.25	8.8125	8.50	8.5625	8.5625
Sterling CDs.	-	-	8.906250	8.50	8.50	8.50
Local Authority Deps.	9.875	9.375	8.875	8.625	8.5625	8.625
Local Authority Bonds	-	-	9.4375	9.4375	9.50	-
Discount Mkt Depst.	9.375	9.375	8.50	8.00	-	-
Company Deposits	-	9.375	9.00	8.75	8.6875	8.75
Finance House Deposits	-	-	8.9375	8.75	8.75	8.75
Treasury Bills (Buy)	-	-	8.75	8.375	-	-
Bank Bills (Buy)	-	-	8.8125	8.375	8.1875	-
Fine Trade Bills (Buy)	-	-	9.4375	9.00	8.875	-
Dollar CDs	-	-	6.90-6.85	7.30-7.25	7.35-7.30	7.85-7.80
SDR Linked Deposits	-	-	6.00	6.3125	6.3125	6.5625
ECU Linked Deposits	-	-	7.1875	7.25	7.3125	7.3750

Treasury Bills (sell); one-month 8.625 per cent; three months 8.125 per cent; Bank Bills (sell); one-month 8.8125 per cent; three months 8.25 per cent; Treasury Bills; Average tender rate of discount 8.2877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day OCTOBER 30, 1987. Agreed rates for period NOVEMBER 25 to DECEMBER, 1987, Scheme I: 11.36 p.c., Schemes II & III: 11.29 p.c. Reference rate for period OCTOBER 1 to OCTOBER 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10.5 from NOVEMBER 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.5 per cent; one-three months 8.00 per cent; three-six months 8.00 per cent; six-nine months 8.00 per cent; nine-twelve months 8.00 per cent; Under £100,000 8.00 per cent from November 5, Deposits withdrawn for cash 5.00 per cent.

IG INDEXS PRICES APPEAR TODAY ON PAGE 42

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 10 1987					MONDAY NOVEMBER 9 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	91.69	-4.4	76.11	89.80	4.43	95.90	79.21	93.09	180.81	91.69	91.82
Austria (16)	91.31	-2.1	75.79	78.87	2.64	93.23	77.00	80.44	102.87	85.53	92.12
Belgium (48)	99.45	-3.1	82.55	85.10	5.52	102.61	84.75	88.69	134.89	96.19	92.82
Canada (127)	98.34	-1.9	81.63	93.99	3.28	100.22	82.77	95.79	141.78	98.15	100.38
Denmark (38)	109.08	-2.2	90.55	95.25	3.11	111.53	92.12	97.16	124.83	98.18	92.33
France (120)	77.83	-8.3	64.61	69.01	3.99	84.91	70.13	74.99	121.82	77.83	93.08
West Germany (93)	68.91	-7.5	57.20	59.65	3.20	74.46	61.50	64.22	104.93	68.91	92.97
Hong Kong (46)	79.05	-3.8	65.62	79.24	6.14	82.20	67.90	82.40	158.68	75.82	86.03
Ireland (14)	96.30	-4.0	79.94	84.86	5.31	100.34	82.87	88.31	160.22	96.30	88.80
Italy (95)	72.11	+0.1	59.86	66.02	2.90	72.04	59.50	65.88	112.11	72.04	100.27
Japan (458)	131.49	-3.4	109.15	111.79	0.62	136.12	112.43	115.47	161.28	100.00	89.25
Malaysia (36)	103.28	-2.1	85.74	98.95	3.61	105.53	87.17	101.49	193.64	98.24	98.55
Mexico (14)	192.44	-0.1	159.75	356.75	0.86	192.66	159.13	347.46	422.59	99.72	90.04
Netherland (37)	87.70	-4.2	72.80	74.94	6.00	91.58	75.64	78.02	131.41	87.70	95.67
New Zealand (23)	81.02	-1.8	67.25	68.95	4.52	82.50	68.14	69.82	138.99	78.06	96.30
Norway (24)	96.03	-8.9	79.72	82.58	3.32	105.41	87.06	90.38	185.01	96.03	104.48
Singapore (27)	95.20	-2.5	79.03	89.65	2.66	97.62	80.63	92.20	174.28	90.19	99.11
South Africa (61)	119.41	-4.4	99.13	86.31	4.95	124.92	103.17	90.28	198.09	100.00	103.18
Spain (43)	124.08	-4.6	103.00	104.81	3.89	130.05	107.41	110.25	168.81	100.00	85.33
Sweden (34)	89.13	-6.0	73.99	79.47	2.89	94.78	78.28	84.36	136.64	89.13	103.61
Switzerland (53)	73.65	-6.9	61.13	62.32	2.67	79.12	65.35	66.88	111.11	73.65	91.04
United Kingdom (332)	113.77	-0.5	94.44	94.44	4.86	114.37	94.47	94.47	162.87	99.65	96.11
USA (582)	97.66	-1.7	81.07	97.66	3.77	99.39	82.09	99.39	137.42	92.83	102.68
Europe (947)	92.25	-3.2	76.57	78.69	4.26	95.30	78.71	81.03	130.02	92.25	94.90
Pacific Basin (680)	128.05	-3.4	106.29	109.82	0.83	132.60	109.52	113.45	158.77	100.00	89.35
Euro-Pacific (1627)	113.76	-3.4	94.43	97.39	1.95	117.71	97.22	100.50	143.65	100.00	91.55
North America (709)	97.69	-1.7	81.09	97.47	3.75	99.43	82.12	99.21	137.55	93.20	102.56
Europe Ex. UK (615)	78.89	-5.5	65.49	68.84	3.73	83.47	68.94	72.72	111.97	78.89	94.19
Pacific Ex. Japan (222)	86.54	-3.8	71.84	84.27	4.85	89.99	74.33	87.21	164.03	86.54	90.68
World Ex. US (1829)	113.33	-3.3	94.08	97.31	2.02	117.22	96.82	100.40	143.38	100.00	91.98
World Ex. UK (2079)	106.62	-3.0	88.51	97.90	2.40	109.92	90.79	100.80	138.82	100.00	96.17
World Ex. So. Af. (2350)	107.16	-2.8	88.96	97.58	2.62	110.20	91.02	100.18	139.47	100.00	96.10
World Ex. Japan (1953)	95.64	-2.3	79.39	90.26	3.97	97.94	80.89	92.31	134.22	95.64	99.46
The World Index (2411)	107.24	-2.8	89.02	97.52	2.64	110.30	91.10	100.14	139.73	100.00	96.15

Base values: Dec 31, 1986 = 100

Spanish market was closed for public holiday and French prices were not fully updated on November 9.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	125	7B	11	27	—	—	$458.70
GOLD C	$480	155	1.20	5	18	—	—	"
GOLD C	$500	6	1	48	12.50	10	20A	"
GOLD C	$520	129	0.50A	110	8.50	—	—	"
GOLD P	$400	—	—	113	5	—	—	"
GOLD P	$420	—	—	505	8	215	12	"
GOLD P	$440	—	—	10	12.50	30	16	"
GOLD P	$460	100	8	44	20	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.165	—	—	222	9	20	12.60	Fl.152.36
EOE Index C	Fl.170	—	—	150	6.80	—	—	"
EOE Index P	Fl.165	—	—	330	24	75	24.50	"
EOE Index P	Fl.260	199	110	3	110	—	—	
S/FI C	Fl.185	183	2.90	12	4	—	—	Fl.185.90
S/FI C	Fl.190	57	0.60	5	2.20A	10	3.10	"
S/FI C	Fl.195	—	—	43	0.80	3	1.70	"
S/FI P	Fl.180	—	—	477	2.50	80	3.40	"
S/FI P	Fl.185	202	2	494	4.40	111	5.50	"
S/FI P	Fl.190	79	5.40	112	6.50	37	8.30	"
S/FI P	Fl.195	38	9.30	99	10	18	11.50	"
S/FI P	Fl.200	57	14	218	14.10	22	15.70A	"
S/FI P	Fl.205	—	—	90	19.45	—	—	"
		Mar. 88		June 88		Sept. 88		
S/FI C	Fl.190	6	3.90A	45	4.50	53	5	Fl.185.90
S/FI P	Fl.180	95	4.50	—	—	25	7.50	"
S/FI P	Fl.185	56	7	7	8.30	—	—	"
S/FI P	Fl.200	30	17	72	17.80	1	20.30	"
S/FI P	Fl.205	31	21.30	46	21.80B	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.40	209	1.40	196	3	437	3.50	Fl.35.50
ABN P	Fl.48	753	13.70	208	13.50	—	—	"
AEGON C	Fl.50	295	4.20	3	6	2	7B	Fl.47.60
AGEON P	Fl.50	73	7	2	8B	—	—	"
AHOLD P	Fl.55	83	4.90	—	—	—	—	Fl.59.30
AKZO C	Fl.120	474	1.50	42	4.50	4	6B	Fl.80
AKZO P	Fl.80	898	9	38	11.50	38	14	"
AMEV C	Fl.70	30	0.20	11	0.40	—	—	Fl.35.10
AMEV P	Fl.35	49	3.90	3	5.20	4	6	"
AMRO C	Fl.55	220	4.70	5	6.50A	—	—	Fl.56.70
AMRO P	Fl.55	179	3.50	31	4.50	2	5.30	"
ELSEVIER C	Fl.45	151	1.30	32	2.90	—	—	Fl.33.80
ELSEVIER P	Fl.40	5	8	54	9	—	—	"
GIST-BROC. C	Fl.35	36	1.30	153	2.50	10	4	Fl.26.10
GIST-BROC. P	Fl.27.50	578	4.50	—	—	—	—	"
HEINEKEN C	Fl.130	149	6	15	10	1	15	Fl.110
HEINEKEN P	Fl.110	140	13	3	15	10	16.50	"
HOOGOVENS C	Fl.30	14	1.80	51	2.50	16	3.90	Fl.21.10
HOOGOVENS P	Fl.45	137	24.50	31	25	10	25	"
KLM C	Fl.30	200	2.20	44	3.50	7	4	Fl.25.20
KLM P	Fl.27.50	266	4.70	7	5.80	16	5.80	"
NEDLLOYD C	Fl.170	60	2.50	—	—	—	—	Fl.104.50
NEDLLOYD P	Fl.110	94	15.80	20	18	—	—	"
NAT NED C	Fl.50	65	2.70	74	4.20	14	4.20	Fl.43.90
NAT NED P	Fl.45	111	5.20	52	6	10	7.20	"
PHILIPS C	Fl.35	502	1	272	1.90B	20	2.30	Fl.25.70
PHILIPS P	Fl.27.50	534	4.30	22	5	80	5.50	"
ROYAL DUTCH C	Fl.230	316	3.40	44	6.30	11	10	Fl.190.60
ROYAL DUTCH P	Fl.190	803	13.80	61	15.10	10	19.50	"
ROBECO P	Fl.90	91	15	—	—	—	—	Fl.77.20
UNILEVER C	Fl.108	417	4	—	—	—	—	Fl.90.50
UNILEVER P	Fl.100	528	15.50	49	22	8	24	"

TOTAL VOLUME IN CONTRACTS: 44,743

A=Ask B=Bid C=Call P=Put

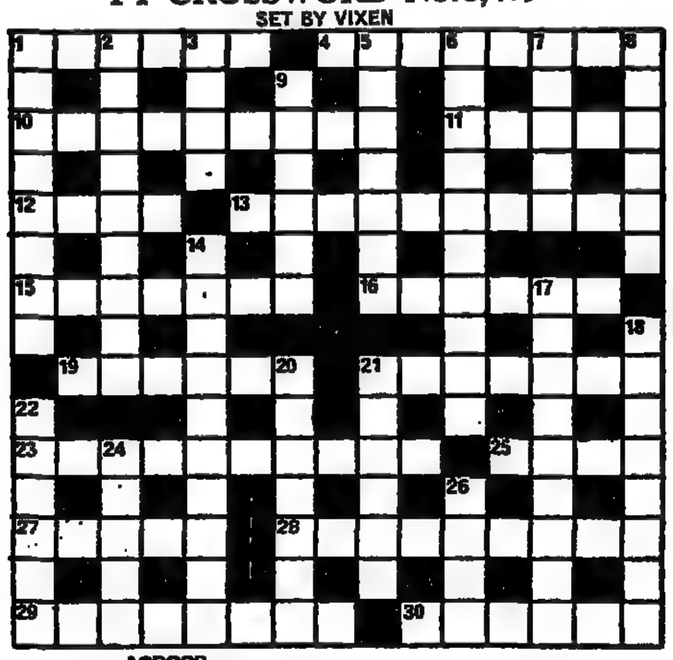
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	*Provincial Trust Ltd*	10½
Amro Bank	9	Co-operative Bank	* 9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'antee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9½	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9½	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9½	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9½	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9½		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sweeps 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

FT CROSSWORD No.6,479

SET BY VIXEN



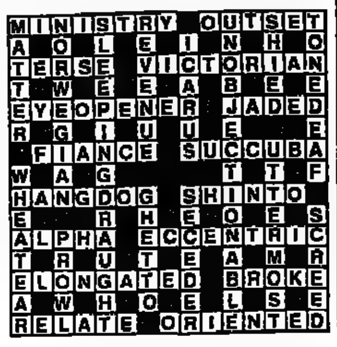
ACROSS

1 Account for the noise (6)
4 Calls about permit to make locks (8)
10 Intimate if don can't manage (9)
11 A serving man in drink yet alert (5)
12 See article in French written by a girl (4)
13 Little worker - always on time (6-4)
15 London is the — of our times, and the Rome of today (Emerson, English Traits) (7)
16 Orders and directs constituents, but not the Right (6)
19 Island race in trouble with a conqueror (6)
21 Many take less fat, so appear more shapely (7)
23 The purpose of having lots is quite repellent (10)
25 Hop field, quiet (4)
27 Shun the first woman to accept a little publicity (5)
28 Wild lionesses not making a sound (9)
29 A song on land, that's what the sailor needs (5,3)
30 Opposed to some reform, being over-suspicious of change (6)

DOWN

1 Remembered about everything in the long grass (8)
2 One of a group on TV making a slip lent variety (9)
3 Sound rule for the shower (4)
5 Under it changes are unwelcome (7)
6 Getting gloomy over wrinkles in France (10)
7 Shrubby plant found in Central American countries (5)
8 Quick look around up-river (6)
9 The man's content in charge, though there's some animosity (6)
14 Perhaps pity is love really (10)
17 Catch up on points and the head will show the strain (9)
18 Design no amateur models (8)
20 They get put on (7)
21 Honest, and held by detectives (6)
22 Away result causing disgust (6)
24 Devious sort - a cook (5)
26 Water only is given (4)

Solution to Puzzle No.6,478



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Unit Tst. Mngrs. (a) 80 Holdenhurst Rd, Bournemouth 0345 717373				
[illegible]				

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co —Contd.

Gilt-Edged Inv.	236.5	—	—
Do Accum.	292.7	—	—
Guaranteed Inv.	159.9	—	—
Do Accum.	197.9	—	—
International Inv.	358.9	—	—
Do. Accum.	443.6	—	—
Index Lk. Gilt Inv.	127.7	—	—
Do Accum.	158.0	—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	334.9	+0.5	—
Property Pens.	457.6	+0.8	—
Equity	250.0	-5.6	—
Equity Pens.	625.5	-23.3	—
Money Market	320.4	+6.4	—
Money Mkt. Pens.	579.6	+11.6	—
Deposit	241.4	+0.0	—
Deposit Pens.	388.4	+0.0	—
Managed	242.1	-7.2	—
Managed Pens.	448.2	-13.3	—
Intl. Equity	251.3	-6.1	—
Do. Pens.	391.8	-9.3	—
Intl. Managed	240.1	-5.8	—
Do. Pens.	342.6	-8.0	—
North American	98.3	-2.5	—
Do. Pens.	110.2	-2.9	—
Far East	193.1	+0.0	—
Do. Pens.	280.4	+1.2	—
Intnl. Currency	161.8	-0.3	—
Do. Pens.	213.5	-0.6	—
Index Linked	132.4	+5.4	—
S & C Managed Fd	105.9	-1.2	—
S & C Pens Mngd Fd	82.3	-0.9	—
Bell Chambers	104.6	-2.9	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21⅝	Rep NY Corpn $5	22	–1	$1.16	—	3.0
18¼	8⅞	Rockwell Intl. $1	10⅞xd	–⅛	66c	—	3.7
30⅛	16¼	Sara Lee $1	19⅝xd	–⅛	$1.00	—	2.9
11⅞	6⅞	Saul (B. F.) $1	6⅞	–¼	20c	—	1.3
27½	2⅞	Southwestern Bell $1	20¼	–½	h$2.32	—	6.4
22⅞	11⅛	Staley Continental	11⅛	–⅛	80c	—	4.1
44⅞	21⅝	Sun Co. Inc. $1	27⅛xd	–1⅛	$3.00	—	6.3
42¼	22¼	TRW Inc. $0.625	22¼xd	–2⅛	h$1.60	—	4.1
37⅞	22⅞	Tenneco $5	23⅞xd	–⅞	$3.04	—	7.5
220	149½	Do. 10pcLn.Stk. 91-5	150xd	....	10%	—	14.7
29⅞	16¼	Texaco $6.25	16¼xd	–¼	$3.00	—	10.6
74⅞	43⅞	Time Inc. $1	44⅞xd	–1⅞	$1.00	—	1.3
20⅞	11	Tracor $0.33	17½xd	–½	40c	—	1.3
30⅞	15⅞	Transamerica $1	18⅞xd	–⅞	$1.84	—	5.7
14⅞	1¼	Transworld Corp $5	781p	–33	20c	—	1.5
27⅞	12¼	TRINOVA Corp.	14⅞xd	–¼	56c	—	2.2
24⅞	12⅞	♦USX $1	15⅞	–½	$1.20	—	4.5
19⅞	10⅞	Union Carbide $1	11⅞xd	–¼	$1.50	—	7.5
37⅞	18¼	Utd. Technologies	18¼xd	–⅞	$1.40	—	4.3
38⅞	26⅛	US West‡	28¼	–¼	$3.28	—	6.7
30½	17⅛	Waste Management $1	19¼	–⅞	—	—	—
31⅞	13⅛	Whirlpool $1.0	14½	+⅛	—	—	—
37⅞	18⅞	♦Woolworth $3½	18⅞	–⅞	$1.32	—	4.1

CANADIANS

1987 High	1987 Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‡	227p	–23	—	—	—
26¼p	10p	♦Abbot Energy Corp.	19p	–¼	—	—	—
18⅞	506p	♦Amer. Barrick Res.	850pxc	–82	—	—	—
136p	32p	Amer. Dafeco	34½p	.....	—	—	—
141p	6½p	American Lightwave	6¼p	+¼	—	—	—
122p	33p	♦Armeno	46½p	–4	—	—	—
117	42½p	Augmitto Expln.	42½p	–6½	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*£11½	733	Prudential	763	+20	†29.0	—	5.2	—
598	350	Refuge 5p	358	–2	15.75	—	6.0	—
595	345	Royal	355	–10	††15.5	—	6.0	—
110	85	Sabre Ins. Inv.	88	+3	—	—	—	—
*345	168	Sedgwick Group 10p	178	+9	12.0	1.7	9.2	7.6
339	138	Steel Burrill J.10p	138	–12	†9.0	2.0	8.9	7.7
668	403	Stewart Wr. 20p	618	.....	♦13.0	2.0	2.9	21.9
612	303	Sturge Hldgs 20p	348	–25	††6.0	2.5	2.7	19.9
£12⅞	645	Sun Alliance	780	+2	†23.5	—	4.1	—
£13	865	Sun Life 5p	870	–40	†28.5	—	4.5	—
£69½	£38⅞	♥Taisho M EDR	£38⅞	–1⅝	gQ10%	—	1.1	—
£22⅝	£14⅜	Torchmark $1.00	£14⅞	–¼	Q$1.00	—	3.9	—
410	235	Trade Indemnity	350	–5	14.3	—	1.7	—
£34	£19⅝	Travelers $1.25	£19⅝	–1⅛	$2.28	—	6.7	—
£30⅞	£17⅝	USF & G Corp $2.50	£18⅛	–½	Q$2.48	—	7.9	—
£33⅞	£16⅞	USLIFE Corp. $1.0	£17¼	–½	Q$1.28	3.2	4.3	7.3
798	555	♯Utd Friendly B 10p	625	.....	21.0	—	4.6	—
464	202	Willis Faber 12½p	208	+6	†10.75	2.4	7.1	7.9
128	41	Windsor Secs. 10p	55	–10	†0.7	1.5	1.8	—

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	♯A & M Group 10p	11	+1	—	—	—	—
242	92	Airtours 10p	92	–8	R45.4	1.5	8.3	10.9
*549	289	Anglia TV	290	–18	†g11.25	3.3	5.3	8.1
308	78	Arlay	125	.....	—	—	—	—
194	99	♯Aspinall Hldgs. 10p	99	–11	♦6.0	1.2	8.3	13.6
141	63	♯Avesco 1p	63	.....	0.5	6.7	1.1	17.8
72	40	♯BCE Hldgs 5p	44	–5	L43.0	♦	3.1	♦
300	132	Barr & W.A.T. 'A'	225	–5	†8.0	1.4	4.9	18.3
58	22	Bond Media	25	.....	—	—	—	—
235	165	Boosey & Hawkes	187	–33	—	—	—	—
83	28	♯Border T.V.	32	–8	1.4	♦	6.0	♦
*439	47½	Brent Walker 10p	212xd	–12	†g8.5	2.2	6.5	10.2
124	79	Do 6pc.Cv.Cm.Rd.Pf	80	–1	6.0	—	10.3	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

[illegible]

MINES—Continued

[illegible]

Tins

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	73	–8
Craig & Rose £1	663xd	–37
Finlay Pkg. 5p	76	–7
Holt (Jos) 25p	£11¼	.....
IoM Stm. £1	243	+8
IRISH		
Fund 11¾% 1988	£100⅝	.....
Nat. 9¾% 84/89	£99⅞	+¼
Fin. 13% 97/02	£111⅞	.....
Arnotts	250	.....
CPI Hldgs	55	.....
Carroll Inds.	128	–10
Dublin Gas	400	.....
Hall (R. & H.)	120	.....
Heiton Hldgs.	40	.....
Irish Ropes	150xd	.....
Norish	325	.....
Unidare	350	.....

TRADITIONAL OPTIONS

3-month call rates

Stock	p
Industrials	
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp.	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	45
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst	17
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intal	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 9.00am two business days earlier.

Equities close higher after successful rally while Gilt-edged ease on profit-taking

THE UK equity market put on a strong performance yesterday in the face of the continuing uncertainties hanging over the US dollar and the prospects for cutting the US budget and trade deficits.

Leading stocks firmly resisted the slide in other European markets, recovering from a substantial early setback and turning higher at the close despite an indecisive opening on Wall Street.

The turnaround in equities was sustained by the reinvestment of profits taken on Government bonds. The strength of the pound underpinned hopes that a full point reduction in bank base rates is not far away. Government issues of £400m tranches of existing Gilts were not seen as an attempt to check the market's advance.

London market analysts, while stressing that the mood remains cautious, commented that there was a significant increase in buying of good quality equities by the big institutional investors. Scottish funds were believed to be reinvesting profits taken in Gilts. Another input of cash was from the £128m market purchase of shares in Cadbury Schweppes by General Cinema of the US.

The initial slide in share prices, which reflected weakness in Tokyo and New York overnight, took the London equity market down to the levels of mid-August last year.

The FT-SE Index plunged by 50 points in early trading, to touch 1515. But London brushed aside the falling dollar to recover its loss and move into plus territory in the final half hour.

The final reading on the FT-SE 100 index showed a net gain of 8.3 points at 1573.5. Seaq bargains jumped by nearly 30 per cent from the previous session.

With action on the US deficit still awaited as the deadline for the Gramm Rudman cuts draws near, City traders found London's equity rally hard to explain.

"Whatever President Reagan decides to do, the removal of uncertainty will make investors a smidgeon more confident", suggested Mr Nick Whitney at Warburg Securities. The UK equity market with its good earnings growth rate and low Government borrowing outlook could then look very attractive, he believes.

However, the City remains agreed that the final spur for a genuine recovery in London equities must come from across the Atlantic. "When we turn, we will turn quickly. But it won't be this side of President Reagan's decision on the Federal deficits", was the last word from the trading front.

Profit-taking in Gilts was no surprise after an initial uptick in money market rates. Already sold in the Tokyo market, long-dated UK Gilts dipped by a full point in London before trying to rally as the pound moved to $1.80 and US bonds opened better. The rally faded, leaving net losses of a point at the long end.

Index-linked Gilts closed with further gains after an erratic session. A bear squeeze sent prices ahead by one point initially, but the gains were then lost as buyers vanished - only to re-appear at the close, when net gains ranged from ¼ to a full point.

Both sectors settled down as the authorities announced that new stocks would be on sale today. The Bank's sales take the expected shape of two conventional and two index-linked tranches of existing issues.

Cadbury Schweppes, the UK-based chocolates to soft drinks group, spurted 30p to 222p as General Cinema of the US renewed its investment interest with an early morning raid via Cazenove, the London brokerage house. Bidding 220p per share, the same price paid for its original 8½ per cent holding in Cadbury, General Cinema increased its stake to 18.2 per cent within fifteen minutes.

General Cinema said it has obtained regulatory permission to acquire "in excess of 15 per cent but not more than 25 per cent" of Cadbury. More than 72m Cadbury shares changed hands yesterday.

British Telecom shares attracted a big turnover and heavy buying interest; turnover approached 21m and the share price moved up 9 to 222p, one of the best rises among the leading issues.

The strong demand followed the apparent success of the sale of the second tranche of shares in Japan's Nippon Telegraph and Telephone - 1.95m NTT shares at £10,600 a share. "Telecom are a giveaway at these levels compared with NTT, which yields 0.18 per cent" said a leading dealer in Telecom.

Dealers reported another relatively quiet and uneventful session in the leading banks which staged a sustained rally after an initial mark-down. **Midland** settled 5 higher at 333p.

Merchant banks, major casualties of the market slump, remained under intense pressure, reflecting worries of substantial market making losses. **Kleinwort Benson** dropped 55 to 315p, **Morgan Grenfell** were finally 10 down at 218p, after 203p and **SG Warburg** dipped a similar amount to 270p, after 263p. Discount houses showed **Cater Allen** 10 better at 350p after the interim statement.

FINANCIAL TIMES STOCK INDICES

	Nov. 10	Nov. 9	Nov. 6	Nov. 5	Nov. 4	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.32	92.34	91.12	91.47	90.51	82.15	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.44	95.47	94.42	94.47	93.90	88.93	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1246.9	1232.0	1274.0	1287.9	1255.6	1311.7	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	265.5	277.6	261.6	273.5	279.2	309.1	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.97	5.00	4.84	4.80	4.93	4.35				
Earnings Yld. % (full)	12.32	12.42	12.04	11.93	12.24	10.05				
P/E Ratio (net)(*)	9.92	9.84	10.16	10.25	9.99	12.17				
SEAQ Bargains (5pm)	39,569	30,734	38,258	35,253	40,855	30909				
Equity Turnover (£m)	-	924.66	1375.80	1270.12	1774.63	900.78				
Equity Bargains	-	34,261	44,756	42,599	45,633	46,244				
Shares Traded (ml)	-	456.7	643.4	639.7	806.9	418.4				

S.E ACTIVITY

Indices	Nov.9	Nov.6
Gilt Edged Bargains	200.9	151.2
Equity Bargains	222.0	290.0
Equity Value	1869.0	2780.8
5-Day average		
Gilt Edged Bargains	165.8	147.7
Equity Bargains	279.5	317.3
Equity Value	2837.2	2933.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1204.6	1202.1	1221.4	123.8	1240.2	1235.8	1237.3	1236.9

Day's High 1247.0 Day's low 1198.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=9.78.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

In Composite insurances **Commercial Union** managed a 10 gain at 293p and **General Accident** were that much up at 753p - both companies are scheduled to announce third quarter figures today. **Royals,** reporting tomorrow, lost 10 to 355p. A good rally developed in broking firm **Sedgwick,** up 9 at 178p, but **Dewey Warren,** the Holmes a Court vehicle for expansion in UK financial services, slumped 14 to 89p. after 80p.

Restaurant operators **Hard Rock International** made a highly successful market debut, the shares opening at 100p and advancing to 132p. The Restricted Voting A shares also opened at 100p and touched 123p prior to closing at 110p.

Guinness were the only leading Brewer to lose appreciable ground, the shares closing 5 down at 287p following the sale of Richter Bros. to Crown Richter for $19.4m. Regional issues conversely lacked stability owing to further light sales on an unwilling market. Particularly affected were **J.A.Devenish,** 29 lower at 223p, and **Fuller, Smith & Turner,** 40 off at 415p. **Wolverhampton & Dudley** gave up 9 at 331p while **Boddington,** which Wood Mackenzie rate as effectively bid proof with nearly 40 per cent of its capital in "friendly hands", slipped back 7 to 128p. Elsewhere, cidermaker **H.P.Bulmer** drifted 7 easier to 141p and **Invergordon Distillers** dropped 8 more to 150p.

Leading Buildings suffered another sharp mark-down at the outset, but selective support at the lower levels took many issues well away from the lowest levels. At the close, **Blue Circle** were just 4 cheaper at 315p, after 307p.

BPB Industries were *only* 3 off at 241p, having been down to 232p initially. By contrast, **Steetley** remained in the doldrums and fell a further 15½ to 237p, while **Meyer International** gave up 21 at 307p. **AMEC** remained a weak market at 252p, down 15, and **John Mowlem** dipped 17 to 318p.

Major overseas earner **ICI** remained on the casulaty list and eased afresh to 960p prior to closing 21½ down on balance at 985p. **Amersham International,** particularly dull on Monday following a disappointing set of interim figures, rebounded strongly to close 19 higher at 327p.

Hopes of a further cut in interest rates before the end of the week - one leading trader spoke of a possible one percentage point reduction - helped the stores sector stage a strong and sustained recovery.

Generally favourable Press comment on the sale of the Ultimate electrical retailer to **Woolworths** gave a boost to the latter - up 10 to 276p - and vendor **Harris Queensway** which jumped 8 to 105p; broker Wood Mackenzie issued a buy circular on Harris Queensway while County NatWest said the deal looks to be "an excellent one for Woolworths". It was announced late yesterday that Sir Philip Harris had bought a total of 1.75m HQ shares. **Ratners** added 6 at 216p on talk that the company's management attended a lunch with a leading broker yesterday.

Storehouse, where a couple of 2m share parcels went through the system early on, closed a shade harder at 238p.

Cable and Wireless dipped sharply to 268p during the early exchanges, depressed by the latest fall in far eastern markets, but later steadied to close only 4 off at 281p. **Racal,** amid talk of US selling pressure, lost 10 to 199p.

News that General Cinema of the US had increased its stake in Cadbury Schweppes breathed some much-needed life into a recently ailing Food sector. **Rowntree,** in sympathy with the smart gain in Cadbury, rallied 10 to 395p. **Northern Foods** found support on its defensive qualities and firmed 5 to 233p, while **Tate and Lyle** attracted more interest than of late and edged up 11 to 607p. Among Food Retailers, J. **Sainsbury** were unable to shake off initial market weakness despite another set of impressive results- half-year profits were some £3m above estimates, but the price drifted back to close 4 lower at 209p.

Marked down initially, international stocks staged a good recovery ovement as buyers began to show interest at the lower levels. Marketmakers described the demand as "genuine" with the rally taking place on a noticeable improvement in the volume of trade. The late tone was hampered by fresh early dullness on Wall Street yesterday, but closing movements were no worse than mixed. **BOC,** annual results expected tomorrow, touched 302p before settling 7 off on balance at 306p, but **Beecham** ended a few pence to the good at 406p, after 399p, in a volume of some 4.1m shares. **BTR** also finished a shade firmer at 231p, after easing to around 225p. **Pilkington** were actively traded (some 6.4m shares) before settling 2 off on the day at 186p. **Wellcome,** however, recorded a fairly substantial loss, reacting 14 further to 294p in a small volume of business; the preliminary figures are expected tomorrow.

British Airways were briskly traded awaiting today's interim figures and closed 2 to the good at 125p; the Monopolies and Mergers Commission's verdict on BA's bid for British Calledonian is also expected this week. Elsewhere, interim results at the lower end of expectations left **Metal Box** 13 lower at 160p, while **De La Rue** fell 9 to 367p after the interim figures. **Pearson** dipped 41 to 537p amid vague suggestions (reported to have been denied) that Mr Rupert Murdoch may sell his near 15 per cent stake in the company. Other above average losses included **Bodycote,** down 25 at 165p, **Associated British Ports,** 18 lower at 345p, and **Grampian,** 15 cheaper at 164p. **Smiths Industries,** in contrast, edged up 5 further to 176p awaiting today's preliminary figures.

Jaguar stood fast as other car and commercial vehicle manufacturers received another mauling. **March** dipped 12 further to 83p and **ERF** shed 10 more to 135p while **Plaxtons (GB)** lost 8 to 125p; the last-named has agreed a management buyout of its building and shopfitting division, exclusive of the London site. Despite adverse currency influences, **Jaguar** advancved 5 further to to 284p. Distributors remained out of fashion and closed showing fresh sizeable losses. **D.C.Cook** dropped 15 to 140p, **Jessups** were 20 down at 160p and **Lancaster** 13 off at 115p. **Appleyard** fell 18 to 240p.

Recessionary worries continued to haunt Agency and related issues and the sector had another torrid session. In thin trading conditions, **VPI** tumbled 37 more to 138p and **Lowe Howard-Spink** plunged 29 to 215p while **Bosse Massimi** gave up 20 at 185p and **Abbot Mead Vickers** 30 at 195p. For the second successive day **Whinney Mackay-Lewis** resisted, gaining 25 to 280p. Newspapers again attracted sellers and **Associated** reacted 20 to 378p while **United** retreated 14 to 422p. **Maxwell Communications** held at 218p after confirmation that the group had made an approach for 50 per or more of the stock of US publishing and information company Bell & Howell. **Independent** dived 100 to 375p.

Land Securities and **MEPC** were the only two Property stocks to move strongly away from the depressed levels seen early on. The former, down to 408p initially, picked up to close 5 dearer on balance at 425p. MEPC closed 12 up at 395p, having been down to 373p at one stage.

Secondary Textiles came under renewed selling pressure and recorded further widespread and sometimes substantial losses. Falls of around 20 were seen in **R. Smallshaw,** 110p, and **J. Beales,** 255p.

Increased earnings failed to save some Investment Trusts from a weaker trend. **Drayton Consolidated** fell 9 to 434p and **English & International** lost 12 to 178p but **Caledonia** improved 14 to 299p. Adverse comment on prospects for fund management groups left its mark on many issues. Sell advice brought **Berkeley Govett** down 30 to 225p, while **Henderson Administration** fell 75 to 625p and **Mercury Asset Management** 55 to 255p. Acquisition of a Guernsey-based concern company specialising in company and trust administration services for £8m, to be satisfied in cash and the issue of new shares, left **Aitken Hume** 10 down at 75p.

A 30 cents rise in Brent crude for December delivery to almost $18 a barrel, triggered a general round of buying interest in oil shares. **BP** old edged up 6½ to 247p on a turnover of 14m shares while the "new" put on 2 to 77p as 64m shares went through the SEAQ system. The postponed rights issue left **Norsk Hydro** £1¼ off at £11.

Traded option activity contracted. The total number of contracts was 24,446 compared with the previous day's 32,349. **Cadbury Schweppes** were fairly active on the General Cinemas' stake increase, attracting 1,614 calls and 1,846 puts. The **FTSE** contract recored 811 calls and 923 puts.

Traditional Options

● **First dealings Nov 02● Last dealings Nov 13● Last declarations Feb 04● For Settlement Feb 15** *For rate indications see end of London Share Service*

Stocks to attract money for the *call included* **Eagle Trust, Polly Peck, Blacks Leisure, Bula Resources, Raine Industries, Taylor Woodrow, Dares Estates, Abaco, Premier Consolidated, Control Securities, Astra Trust, Property Trust, London Investment Trust, Pentland Industries, Ryan International and Trimoco.** No put or double options were reported.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (10).

BRITISH FUNDS (7) Transport 3pc. 1978-88, Treas. 3pc. 1989, Treas. 5pc. 1986-89, Treas. 3pc. 1990, Exch. 2½pc. 1990, Treas. 3pc. 1991, Treas. 3pc. 1992. INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Utd. Mexican States 16½pc., BREWERS (1) Macallan-Glenlivet, TRUSTS (1) Scot. Nat. Stepped Pref.

NEW LOWS ([illegible]).

AMERICANS (16) CANADIANS (18) BANKS (13) BREWERS (3) BUILDINGS (19) CHEMICALS (14) STORES (23) ELECTRICALS (37) ENGINEERING (28) FOODS (10) HOTELS (1) INDUSTRIALS (74) INSURANCE (11) LEISURE (12) MOTORS (7) NEWSPAPERS (9) PAPERS (25) PROPERTY (16) SHIPPING (1) SHOES (1) TEXTILES (8) TRUSTS (154) OILS (13) OVERSEAS TRADERS (1) PLANTATIONS (4) MINES ([illegible]) THIRD MARKET (10).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	5,000	English China Clays	1,200	Plessey	1,900
Allied-Lyons	4,500	Enterprise Oil	2,800	Prudential	998
Amstrad	3,700	Fisons	1,200	Racal	9,200
Argyll Group	2,700	Gen. Accident	427	Rank Org.	522
Assoc. Brit. Foods	863	Gen. Elect	7,800	RMC	85
BAA	1,200	Glaxo	3,200	RHM	1,000
BAT	6,300	Globe Investment	649	Reckitt & Col.	522
BET	1,100	Granada	2,100	Redland	1,000
BICC	37	Grand Met	3,200	Reed Intl.	1,000
BOC	1,500	GUS A	630	Reuters	2,300
BPB Inds	1,700	Guardian R.E.	995	RTZ	1,900
BTR	3,500	GKN	589	Rolls-Royce	6,100
Barclays	3,400	Guinness	1,500	Rothmans	653
Bass	1,200	Hammerson	894	Rowntree	1,130
Beecham	4,100	Hanson Trust	10,000	Ryl Bank Scotland	540
Blue Arrow	1,300	Hawker Sidd	225	Royal Insurance	805
Blue Circle	663	Hillsdown Hldgs	2,400	STC	1,700
Boots	4,000	IMI	623	Saatchi & Saatchi	950
Brit. Airways	6,700	ICI	3,700	Sainsbury	2,200
Brit. Aero	2,400	Jaguar	1,600	Scott & Newcastle	1,500
Brit. & Comm.	1,700	Ladbroke	2,700	Sears	3,100
British Gas	18,400	Land Securities	3,600	Sedgwick	1,100
Britoil	5,300	Laporte	98	Shell Trans.	3,400
BP	14,000	Legal & Gen.	1,000	Smith & Nephew	862
Brit. Telecom	18,000	Lloyds Bank	3,300	Standard Chart.	1,400
Bunzl	1,400	LASMO	876	Storehouse	6,200
Burmah Oil	607	Lonrho	1,900	Sun Alliance	250
Burton	2,600	Lucas	646	T & N	721
Cable & Wire	3,600	MEPC	1,200	TSB	2,400
Cadbury Schwps	103,000	Marks & Spencer	6,100	Tarmac	1,400
Coats Viyella	2,000	Maxwell Comm.	160	Tesco	4,900
Comm. Union	2,200	Metal Box	1,100	Thorn EMI	1,300
Cons. Gold	491	Midland Bank	1,300	Trafalgar House	2,800
Cookson	2,100	NatWest Bank	2,100	T'house Forte	2,600
Country & New.T	10	Next	2,100	Ultramar	678
Courtaulds	770	Northern Foods	868	Unilever	1,000
Dalgety	1,000	Pearson	309	United Biscuits	3,400
Dee Corpn	3,000	Pearl Assurance	307	Wellcome	655
Dixons Group	1,800	P & O	695	Whitbread A	1,700
		Pilkington Bros	6,300	Woolworth	2,400

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	73	9
Corporations, Dominion and Foreign Bonds	7	12	35
Industrials	133	1,089	340
Financial and Properties	55	427	145
Oils	16	59	36
Plantations	0	5	9
Mines	20	106	71
Others	17	185	59
Totals	280	1,956	704

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 10 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%))	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Nov 9 Index No.	Thu Nov 6 Index No.	Wed Nov 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (213)	618.07	-1.3	11.43	4.59	11.00	19.10	626.48	647.25	656.22	685.09
2	Building Materials (30)	805.67	-2.4	11.53	4.57	10.81	22.91	825.61	847.83	864.11	843.89
3	Contracting, Construction (33)	1115.39	-2.7	11.36	4.51	11.77	31.12	1145.86	1162.88	1171.13	1165.42
4	Electricals (14)	1661.76	—	10.90	5.25	11.97	62.76	1662.65	1726.31	1746.37	1805.19
5	Electronics (33)	1432.09	-1.0	11.43	3.53	11.47	35.99	1446.31	1487.25	1493.47	1490.40
6	Mechanical Engineering (60)	296.26	-1.7	12.37	5.42	10.17	11.28	301.49	314.41	322.63	379.88
8	Metals and Metal Forming (7)	350.02	+0.4	11.25	4.72	10.82	11.55	348.64	366.24	377.44	344.57
9	Motors (14)	224.05	+0.3	13.57	5.17	8.56	7.31	223.31	227.54	238.56	268.78
10	Other Industrial Materials (22)	1051.78	-0.7	9.91	4.93	12.01	37.16	1058.99	1110.54	1122.24	1232.44
21	CONSUMER GROUP (183)	920.80	+0.1	9.06	3.84	14.03	21.28	919.77	948.17	961.36	953.56
22	Brewers and Distillers (21)	878.41	+0.1	11.43	4.22	11.05	17.53	877.37	891.79	904.02	966.78
25	Food Manufacturing (23)	733.48	+0.9	10.10	4.25	12.79	17.48	726.65	749.92	752.80	735.19
26	Food Retailing (17)	1848.05	-0.4	8.07	3.19	16.51	40.31	1856.23	1916.93	1957.82	1913.74
27	Health and Household Products (10)	1590.82	-0.4	7.06	2.79	16.38	27.95	1596.93	1667.89	1672.68	1532.83
29	Leisure (30)	949.66	+0.7	8.44	4.80	14.79	28.40	943.87	973.30	991.89	975.48
31	Packaging & Paper (16)	427.56	-3.2	9.75	4.19	13.51	11.22	441.72	455.69	462.76	472.93
32	Publishing & Printing (15)	2849.39	-1.6	7.65	5.10	16.53	95.15	2896.13	2999.06	3046.92	2627.51
34	Stores (35)	807.05	+1.4	8.98	3.67	15.01	18.97	796.20	812.40	834.21	880.31
35	Textiles (16)	519.92	-1.7	12.11	4.44	9.55	15.15	528.94	559.91	559.92	552.35
40	OTHER GROUPS (87)	759.10	-0.4	11.45	4.67	10.88	20.88	762.20	786.22	795.34	799.13
41	Agencies (17)	876.89	-2.1	7.13	2.58	18.43	16.91	895.85	935.90	948.74	0.0
42	Chemicals (21)	920.61	-2.4	10.70	4.99	11.42	33.18	943.03	976.74	978.62	982.18
43	Conglomerates (13)	975.19	-2.3	10.54	4.80	10.85	22.33	998.37	1035.66	1052.36	0.0
45	Shipping and Transport (11)	1543.55	+0.5	11.03	5.33	11.09	51.44	1535.32	1594.25	1650.46	1585.15
47	Telephone Networks (2)	847.13	+3.2	11.97	4.77	11.15	18.98	821.00	836.82	842.56	784.58
48	Miscellaneous (23)	1039.40	-1.9	14.44	4.53	8.26	33.20	1059.25	1092.61	1105.75	1144.39
49	INDUSTRIAL GROUP (483)	804.87	-0.4	10.29	4.25	12.23	21.08	808.02	833.57	844.63	852.59
51	Oil & Gas (17)	1545.18	+1.2	10.75	6.37	11.47	65.74	1526.51	1584.53	1604.15	1432.79
59	500 SHARE INDEX (500)	867.65	-0.1	10.36	4.57	12.11	24.93	868.93	897.24	909.03	901.52
61	FINANCIAL GROUP (120)	565.33	-0.3	—	5.50	—	20.62	567.01	593.73	597.05	609.98
62	Banks (8)	588.95	+0.4	22.65	6.61	5.84	25.98	586.66	605.72	605.27	663.40
65	Insurance (Life) (8)	830.54	+1.1	—	5.54	—	32.56	821.55	868.30	879.59	854.68
66	Insurance (Composite) (7)	454.26	+0.2	—	6.06	—	18.69	453.21	483.50	484.18	463.43
67	Insurance (Brokers) (8)	720.95	+1.6	15.41	7.94	8.31	38.19	709.92	744.84	767.57	1277.99
68	Merchant Banks (11)	312.89	-5.8	—	4.51	—	8.69	331.19	347.06	358.98	345.35
69	Property (49)	826.07	-0.4	5.87	3.58	21.95	16.77	829.64	865.74	864.47	802.32
70	Other Financial (29)	341.44	-2.4	10.58	4.72	11.96	11.27	349.93	369.33	373.71	353.94
71	Investment Trusts (88)	726.15	-4.0	—	3.42	—	15.94	756.11	789.32	790.49	838.65
81	Mining Finance (2)	336.91	-2.1	13.49	5.07	8.35	12.77	344.15	364.13	364.73	348.25
91	Overseas Traders (10)	806.88	-3.3	11.33	6.04	10.34	36.40	834.34	870.26	871.33	768.84
99	ALL-SHARE INDEX (720)	784.81	-0.4	—	4.69	—	23.48	787.64	815.68	824.90	822.52

	Index No.	Day's Change	Day's High	Day's Low	Nov 9	Nov 6	Nov 5	Nov 4	Nov 3	Year ago
FT-SE 100 SHARE INDEX ♦	1573.5	+8.3	1573.5	1515.0	1565.2	1620.8	1638.8	1600.1	1653.9	1640.9

FIXED INTEREST

	PRICE INDICES	Tue Nov 10	Day's change %	Mon Nov 9	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	125.14	-0.03	125.18	-	10.03
2	5-15 years	145.26	-0.17	145.51	-	12.14
3	Over 15 years	153.62	-0.56	154.49		12.41
4	Irredeemables	173.12	-0.65	174.25	-	13.35
5	All stocks	140.97	-0.20	141.26	-	11.56
	Index-Linked					
6	5 years	125.37	-0.38	125.85	-	2.18
7	Over 5 years	116.42	+0.64	115.68	-	2.89
8	All stocks	116.98	+0.54	116.35	-	2.82
9	Debentures & Loans	120.75	+0.41	120.25	-	9.94
10	Preference	83.83	-0.21	84.01	-	5.74

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 10	Mon Nov 9	Year ago (approx.)
	British Government				
1	Low	5 years	[illegible]	8.07	9.82
2	Coupons	15 years	[illegible]	8.82	10.47
3		25 years	[illegible]	8.72	10.48
4	Medium	5 years	[illegible]	8.57	11.26
5	Coupons	15 years	[illegible]	8.96	10.80
6		25 years	[illegible]	9.00	10.44
7	High	5 years	[illegible]	8.61	11.33
8	Coupons	15 years	[illegible]	9.09	10.97
9		25 years	[illegible]	8.94	10.50
10	Irredeemables†		[illegible]	8.41	10.24
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.31	2.17	4.30
12	Inflation rate 5%	Over 5 yrs.	3.87	3.91	3.84
13	Inflation rate 10%	5 yrs.	2.51	2.37	2.95
14	Inflation rate 10%	Over 5 yrs.	3.92	3.95	3.68
15	Debs &	5 years	10.64	10.68	11.54
16	Loans	15 years	10.51	10.57	11.54
17		25 years	10.51	10.57	11.54
18	Preference†		10.82	10.80	11.51

♦Opening index 1520.9; 10 am 1519.1; 11 am 1546.6; Noon 1562.4; 1 pm 1568.8; 2 pm 1563.7; 3 pm 1564.3; 3.30 pm 1558.9; 4 pm 1563.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*317)	300	40	50	58	20	25	33
	330	25	35	48	35	43	50
	360	12	24	38	58	65	68
Brit. Airways (*127)	120	24	30	33	13	19	22
	130	19	23	28	18	24	29
	140	15	17	22	27	32	36
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*200)	200	13	30	45	15	27	35
	220	4	20	30	28	40	47
	240	1	17	23	43	52	62
Pilkington (*185)	180	17	35	50	10	22	27
	200	6	25	40	25	30	38
	220	2	20	30	40	45	50
[illegible]							

November 10. Total Contracts 24,446. Calls 12,560. Puts 11,886. FT-SE Index Calls 811 Puts 923. November 9. Calls 16,430. Puts 15,919. FT-SE Index Calls 396 Puts 624. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30pm November 10

MONTREAL

Closing prices November 10

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

NEW YORK ACTIVE STOCKS

TOKYO – Most Active Stocks

Tuesday, November 10, 1987

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 47

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES:

Treas2½%IL2011	£104⅝	+⅜
Cadbury-Schw.	222	+30
Cater Allen	350	+10
Grand Met	367	+11
Wh. Mcky-Lew.	280	+25

FALLS:

Abbt.Mead Vick.	195	−30
Asso Brit Ports	345	−18
Assoc Newsp.	378	−20
Bodycote Intl	165	−25
Braithw. Group	153	−20
Christies Intl	293	−42
Devenish (JA)	223	−29
Dewey Warren	89	−14
Henders. Adm.	625	−75
Kleinw. Benson	315	−55
Morgan Grenfell	218	−10
Peachey Prop.	300	−15
Polly Peck Intl	210	−16
Smallshaw (R)	110	−20
Steetley	237	−15½
Ultramar	150	−10
Wellcome	294	−14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR	s	.36	2.1	19	108	17¾	16¾	17½	−¾
32½	17½	AFG	s	.16	.7	8	526	24¼	23⅝	23⅞	−⅝
27	10½	AGS	s			13	316	14¾	14¼	14½	−¼
10½	6¾	AMCA				30	7	6	6½	6½	−⅜
9⅝	3¼	AM	Intl			44	1004	5	4⅞	4⅞	+⅛
65½	29½	AMR				10	3739	35½	33½	34	−⅝
27½	24⅞	ANR	pf	2.67	11.		1	25¼	25¼	25¼	−½
25	19	ANR	pf	2.12	10.		7	20½	20½	20½	+⅜
12¼	6⅜	ARX	s			7	249	7	6⅞	6⅞	−⅛
73½	34½	ASA		2a	4.4		804	45⅝	44¼	45	−1¼
22⅝	9½	AVX				17	451	13⅛	12½	13⅛	+¼
67	40	AbtLab		1	2.2	17	4540	46	44¼	45⅝	−⅝
28	15⅝	Abitibi	g				58	16⅞	16⅝	16⅝	−⅜
16¾	9	AcmeC		.40	4.0	10	298	10⅛	10	10	−⅛
10½	6⅛	AcmeE		.32b	4.4	25	4	7¼	7¼	7¼	−⅛
23¼	16½	AdaEx		3.30e	19.		182	17¾	17¼	17½	−¼
19½	7¾	AdmMl	s	.24	2.5	7	x46	10	9½	9½	−½
35	14⅜	AdvSys				17	147	25¾	25	25½	−⅞
24⅞	9½	AMD					6029	10⅛	9¾	9¾	−⅜
56¾	30½	AMD	pf	3	9.8		125	31	30⅝	30⅝	−⅝
11⅞	4¼	Adobe					689	5¼	4¾	5	−½
20½	15⅝	Adob	pf	1.84	11.		99	16½	16½	16½	−¼
21⅞	17	Adob	pf	2.40	12.		2	19⅝	19⅝	19⅝	
15	6⅛	Advest		.12a	1.5	6	166	8¼	7⅝	7⅞	−½
[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	9½	PepBy s	.08	.6	22	595	12⅞	12½	12⅞	−⅛
42¼	25½	PepsiCo	.58	2.2	15	7346	31¾	29⅞	31⅛	+⅜
12¾	7⅜	PerkF	1.15e	14.	11	79	8⅞	8	8	−¾
41⅞	18½	PerkEl	.60	2.9		969	21¼	20⅛	20⅞	−¾
8⅞	5½	Prmian	.43e	7.5	10	349	5¾	5⅝	5¾	+⅛
10¼	6¾	PrLP	pr1.15	14.		202	8¾	8⅜	8½	−⅛
15⅝	8¼	PeryDr	.22	3.7	310	6½	d	6	6	−½
40	18	Petrie	.70	3.5	13	1278	20⅝	20	20¼	−⅛
21¼	15½	PtPar	n 2	12.	11	100	16¾	16⅝	16⅝	−⅜
33⅜	23⅛	PetRs	2.37e	9.8		84	24¼	23⅞	24⅛	−⅜
20	15	PetRs	pf1.57	9.9		66	15⅞	15⅝	15⅞	+⅜
2⅛	1	PtrInv	.12e	8.7		4	1⅜	1¼	1⅜	+⅛
77	40	Pfizer	1.80	3.7	12	8332	50⅞	48	49¼	−2½
56	17⅞	PhelpD	.15e	.4	18	7193	38¼	35½	37⅛	+⅝
74	37	PhlpD	pf 3	5.7		123	53	50½	53	+2
26	16¾	PhilaEl	2.20	11.	9	2299	19⅝	19⅛	19⅝	+⅛
45⅞	34	PhE	pfA3.80	9.7		z200	39	39	39	
49	37½	PhE	pfB4.30	10.		z500	41	40½	41	+1
97⅛	69	PhE	pfG8.75	11.		z500	77⅝	77	77	+⅛
13⅞	11	PhE	pfR1.41	11.		16	12⅜	12¼	12⅜	
13¼	9⅞	PhE	pfP1.33	11.		61	11⅝	11½	11⅝	
88⅝	65⅞	PhE	pfH7.85	11.		z300	74½	72	74½	+1½
12⅞	9¾	PhE	pfO1.28	11.		31	11½	11¼	11¼	−⅛
120½	110	PhE	pfM15.25	13.		z100	113⅝	112½	113⅝	+1⅝
103	79	PhE	pfK9.50	12.		z800	82½	81½	81½	−1½
86	64	PhE	pfJ7.80	11.		z500	71¾	71	71⅝	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¼	19½	XTRA	pf1.94	8.9		5	21⅞	21¾	21¾	
33⅞	15⅞	Yorkin			9	168	22¼	21⅝	22	−⅜
7¼	2¾	Zapata				935	3¼	3	3	−⅛
37	14⅜	Zayre	.40	2.0	7	3578	20½	19	19⅝	−¼
18⅛	9⅝	Zemex	.40	4.1	9	33	9¾	d	9¼	9¾
33⅝	10	ZenithE				1478	13¾	13½	13⅝	−⅛
13½	3⅝	ZenLab				400	4½	4¼	4¼	−¼
26½	13½	ZenNt	.80	5.0	9	80	16	15¾	15⅞	−⅛
20⅝	11⅝	Zero	.36	2.8	13	338	13¼	13	13	−1
30¾	15	Zurnin s	.68	3.8	12	297	19	17½	17⅞	−1
10⅝	7⅜	Zweig	.85e	9.1		583	8¼	8	8	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 45

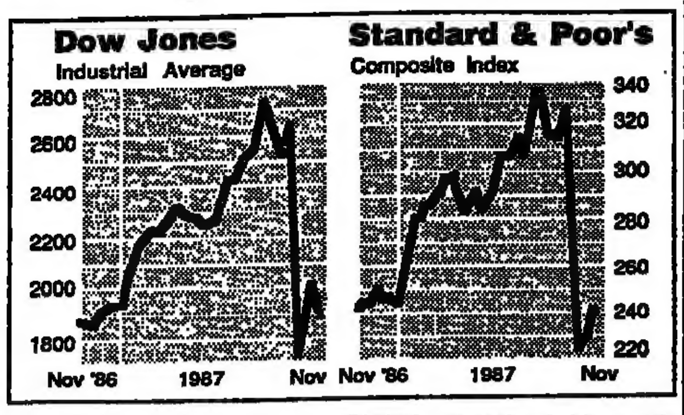
FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Dow see-saws amid currency worries

WALL STREET



A MID-MORNING rally in the dollar erased some of Wall Street's stock and bond market losses yesterday, *writes Roderick Oram in New York.*

The respite was short-lived, however, and the dollar, bonds and stocks retreated again in moderate trading, reinforcing the view of markets that little could help the dollar in the near term.

The dollar's morning rebound, though triggered by comments from President Ronald Reagan, was attributed to profit taking and short covering ahead of today's Veteran's Day bank, currency and bond market holiday in the US.

Equities, like bonds, were also undermined by the continuing failure of Congress and the Administration to agree on measures to cut the federal budget deficit. The Dow Jones industrial average closed down 22.05 points at 1,878.15 after being down more than 45 points in the morning.

Broader market indices were somewhat weaker, particularly among small capitalisation stocks. The Standard & Poor's 500 fell 4.10 to 239.00 and the New York Stock Exchange composite index 2.29 to 134.06. The over-the-counter index fell 5.24 to 315.19.

New York Stock Exchange volume was 184m shares and apparently unaffected by a strike of 1,400 clerical workers at the New York Stock Exchange, the New York Futures Exchange and the Securities Industry Automation Corporation which clears trades. Suvervisors and managers took over the clerks' work.

Traders said the tone of the market remained poor. Declining issues outnumbered those advancing by a margin of three-to-one and traders said many investors were looking for the opportunity to sell some of their stocks. Foreign sellers had been particularly evident during the morning.

Wall Street brokerage firms were back in the news with reports of losses suffered during the stock market crash last month. Shearson Lehman Brothers, off $⅛ to $14⅞, said it had lost $70m, more than half from underwriting the BP issue. First Boston, down $1 to $25¾, was reported to have lost $60m.

Southland collapsed by $16¼ to $51½. Market conditions forced the postponement of a large issue of junk bonds, jeopardising the leveraged buyout of the big chain of convenience stores. The postponement increased the exposure of Salomon Brothers, down $⅞ to $18, and Goldman Sachs, which have extended a bridge loan for the buyout.

Signs that it was becoming harder to raise money in the junk bond market took the edge off a number of takeover stocks. Singer fell $1⅞ to $48½. Late on Monday, Mesa Limited Partnership, the main corporate vehicle of Mr T. Boone Pickens, the Texas raider, said it had increased its stake in the defence electronics company to 9.9 per cent but did not plan to seek control. A group of investors led by Mr Paul Bilzerian, a Florida raider, has made a $50 a share offer for Singer.

Telex fell $3⅜ to $51. Mr Asher Edelman, a New York investor, extended to November 20 his $65 a share offer for the maker of computer peripheral equipment amid rumours on Wall Street that his investment group is having difficulty raising money for the takeover. Telex is also pressing ahead with its own recapitalisation.

General Cinema fell $⅜ to $16 after lifting its stake in Cadbury Schweppes to 18 per cent. It said it had bought them for investment purposes only. The American Depositary Shares of the UK food and drinks group rose $5¼ to $39⅝.

Among company's reporting quarterly results, Wal-Mart, a leading discount retailer, was unchanged at $27¼ after turning in net profits of 24 cents a share against 17 cents a year earlier. The Limited, a specialty clothing retailer, rose $⅛ to $20¼ despite flat earnings of 36 cents a share.

Commodore International fell $⅜ to $7⅜. The home computer maker, locked in an intense sales battle with Atari, earned 20 cents a share in the latest period against 12 cents a year earlier.

High-technology stocks, particularly computers, performed poorly yesterday. IBM slipped $⅜ to $117⅜, Digital Equipment lost $2⅞ to $129½, Apple fell $¼ to $22⅞ and Unisys lost $⅞ to $29⅞.

Gencorp. rose $1¼ to $70. It hopes to complete within two weeks sale of its Pepsi Cola soft drink bottling business to IC Industries, down $1 to $28⅝. The $400m deal, long bogged down by a court challenge from Pepsico, can go ahead following Pepsico's decision to form a joint venture with IC Industries. Pepsico rose $⅜ to $31⅛.

With the help of the dollar's uptick, credit markets recovered rapidly from falls of more than a point in bond prices. But prices drifted down again in tandem with the dollar. By late afternoon the Treasury's 8.75 per cent benchmark long bond was down ¹⁄₃₂ of a point at 99¹⁵⁄₃₂ yielding 8.87 per cent.

CANADA

MIRRORING the decline on Wall Street, shares prices in Toronto posted a broad decline in the wake of sharp falls in golds and oils.

Among golds, International Corona fell C$1¾ to C$43¾, Placer Dome was down C$⅞ to C$14¼ and Echo Bay dropped C$⅝ to C$21⅜.

ASIA

Yen's steep ascent sends Nikkei tumbling

TOKYO

THE YEN's continued sharp rise against the US dollar, combined with an overnight tumble on Wall Street pulled share prices down steeply in Tokyo yesterday, with the leading market index falling below its closing level on October 20, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average retreated 731.91 to 21,686.46 in its third successive fall. Volume remained small, with 392.21m shares traded, against 247.16m the previous session. Fallers led risers by 883 to 58, with 62 issues steady.

Daunted by overnight slides in London and New York stocks, investors took to the sidelines. The Japanese currency's surge to Y133.30 to the dollar on the Tokyo market also depressed equities.

While a small clutch of smaller-capitalisation construction issues held firm, other issues plunged almost across the board on small-lot selling.

High-tech issues were among the notable losers: Sony shed Y100 to Y3,860, Matsushita Electric Industrial fell Y120 to Y1,880, NEC Y80 to Y1,780, Hitachi Y60 to Y1,120, Fuji Photo Film Y200 to Y3,400 and Toyota Motor Y50 to Y1,730.

Financials also retreated broadly, with Nippon Credit Bank losing Y500 to Y10,200, Sumitomo Bank Y210 to Y3,040 and Nomura Securities Y230 to Y3,120.

Among large capitalisation issues, Nippon Steel remained the busiest stock, though a relatively small 41.08m shares changed hands. It fell Y10 to Y407. Kawasaki Steel fell Y13 to Y320 and Nippon Kokan Y15 to Y320. Among power and gas utilities, Tokyo Electric Power slumped Y310 to Y6,300.

Nippon Telegraph and Telephone (NTT) closed unchanged in busy trading after having traded in a wide range between Y2.60m and Y2.7m on a volume of 16,904 shares.

Underwriting securities firms started a three-day sale of 1.95m NTT shares yesterday in the second offering of the privatised telecommunication group's stock. The issue has been sold on subscription at Y2.55m per share.

Bonds contined to move erratically, reflecting the yen's sustained strength. The yield on the bellwether 5.1 per cent government bond maturing in June 1996 opened sharply down at 4.3

While the major underwriters of the NTT issue refrained from margin selling the issue, smaller securities firms sold heavily to take profits.

40 per cent compared with the previous day's 4.500 per cent. However, anxiety about the speed of the bond's fall and a slower than expected fall in short-term interest rates combined to lift it to 4.720 per cent by the close.

On the Osaka Securities Exchange, prices tumbled on light selling as the OSE stock average gave up 819.09 to 22,147.30 on turnover of 39.34m shares, up 4.49m shares on the previous session.

HONG KONG

CONTINUED selling was triggered in reaction to Tokyo's slide and share prices in Hong Kong ended broadly lower in very thin trading. The Hang Seng index dropped 96.07 to 2,043.24, with very selective bargain hunting in blue chips keeping it just off the day's lows.

The Cheung Kong rights issue remained a millstone around the market's neck. News that the group's chairman had raised his stake to above 35 per cent gave little cheer as the deadline for subscriptions passed with no minority shareholders subscribing for the shares.

Cheung Kong lost 40 cents to HK$6.60 and other property issues retreated. Hang Lung Development fell 15 cents to HK$3.75 and Hong Kong Land was down 45 cents to HK$6.35.

SINGAPORE

NERVOUS investors initiated a wave of selling, particularly in second liners and Malaysians, sending prices sharply lower. The Straits Times industrial index fell 22.01 to 804.69, or 2.3 per cent, in moderate trading.

Several blue chips posted double digit losses. Faber Merlin, the most active stock on 1.1m shares, closed 2 cents lower at 30 cents. DBS Land eased 6 cents to S$1.12 and City Development declined 10 cents to S$2.04.

Elsewhere, Tractors lost 30 cents to S$3.00, ICS shed 25 cents to S$6.80, OCBC was down 25 cents to S$6.85 and Transmarco dropped 22 cents to S$2.38

AUSTRALIA

A FURTHER fall in the Australian dollar, weak resource stocks and declines on other Asian markets took share prices in Sydney sharply lower. The All Industrials index lost 70.2 to match the year's low of 1,875.5.

Losses were widespread, with gold-related scrip hardest hit despite slightly firmer bullion prices.

Metana dropped 36 cents to A$6.90, Sons of Gwalia lost 30 cents to A$5.50 and Central Norseman was down 31 cents at A$1.45.

News Corp plummeted 99 cents to A$9.50, Adsteam lost 50 cents to A$4.30 and Brambles shed 50 cents to A$7.00.

Diana Smith in Lisbon *examines a headlong fall after a heady ascent*

Ripples of the crash cool Portugal's ardour

LISBON and Oporto, Portugal's two stock exchanges, began their downturn a few beats behind the rest of the world, but the fall has been no less steep for the delay.

From the market's stratospheric high on October 5, when the market index reached 6,812.7, share prices have tumbled steeply in the weeks since to bring the index to 3,919.2 yesterday, a fall of 169 from Friday's close (the market is closed on Mondays).

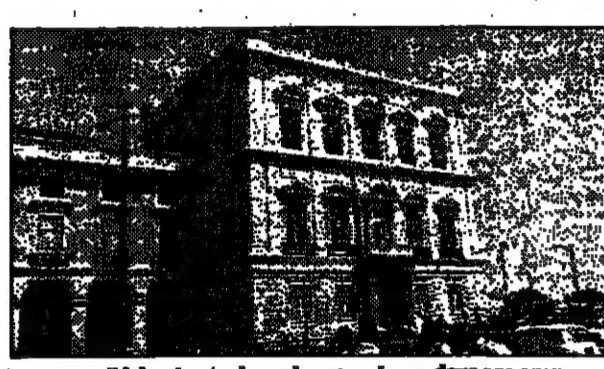
Likewise, daily turnover has shrunk from more than Es35bn ($260m) during early October to average some Es10bn for the first week of November, though such figures can be misleading in so illiquid a market as Lisbon.

Prices have fallen so steeply that many believe some form of prop should be introduced to shore up the market and ensure that a long-due correction of frantic overpricing does not slither too far. Should the slide continue, Portuguese entrepreneurs may well be driven back to their traditional mistrust of their country's economic potential, a mistrust they had shaken off only about six months ago.

The sharp fall has certainly cooled the Lisbon and Oporto exchanges, which overheated in 1987 largely because supply of paper was scarce even for domestic needs once businessmen began to recover faith in a what was otherwise a small, sleepy exchange. The scrip shortage became the more acute when international investors and speculators suddenly discovered Portuguese paper.

The number of listed companies has risen over the past year from 24 to more than 100.

As the market developed momentum, companies rushed into Public Offers of Sale. But growing supply could not keep share prices below unrealistic heights. Quick fortunes were made by sophisticated speculators, while small savers began to pour their escudos into soaring shares without really knowing what they were investing in.



Lisbon's stock exchange: sleepy days are over

Then came black Monday, which scooped many of the international speculators out of Portuguese stocks. As the ripples of the world market crash hit Lisbon, the country's four unit trusts moved to steady the market, snapping up bargains.

Should the market drop further in the next week or so, institutional investors will be expected to act as shock absorbers.

One spin-off of the the market's shift in pace is that the authorities have been given a breathing space to tidy up exchange rules which many believe should have been tightened two years ago.

Among recent moves is the appointment of a new president of the Lisbon stock exchange commission, Mr Alvaro Damaso, lately Secretary of Finance in Portugal's autonomous archipelago the Azores.

In addition, changes have been introduced for Public Offers of Sale. Sealed bids can now be handed in directly to the Stock Exchange, in addition to bids made through brokers or banks. Previous offers have seen some undue starting price manipulation and the new measure should enable a more even pricing and distribution of shares.

Restrictions have also been introduced on advertising before offers of sale, to prevent companies from oversinging their own praises. Advertising must now confine itself to statements of fact about company activities and to giving financial results for the previous three years.

EUROPE

Sell-off gathers pace as dollar falls to new lows

DEMORALISED by the outcome of talks between world central bankers and seeing no firm floor for the dollar, major European bourses posted sharp falls as selling resumed. Export-led blue chips continued to free-fall and the French and Swiss exchanges temporarily suspended some shares after dramatic declines.

FRANKFURT managed to pull itself off the day's lows as selling relented in the last half hour of trading. General gloom pervaded while the dollar fell below DM1.65 for the first time, shrugging off renewed central bank intervention.

The midsession Commerzbank 60-share index plunged 96.3, or 7.3 per cent, to 1,220.9. This was bigger than the 7.1 per cent slump on October 19 this year. The Boersen-Zeitung 30-share index, calculated every 30 minutes during the bourse, dropped 17.79, or 6.5 per cent to 254.33 after recording a year low of 253.41 at midday. Trading was extended for an extra 30 minutes.

Autos were particularly hit. Daimler slumped DM60, or 9.2 per cent, to DM590. VW shed DM19.50 or 8.0 per cent to DM224.50 and BMW dropped DM30 or 7.2 per cent to DM385 despite news that sales rose 18 per cent in the first 10 months of 1987.

Among sharply lower banks, Deutsche Bank fell DM32.50 to DM405.50, Dresdner shed DM17.50 to DM221.50 and Commerzbank declined DM11 to DM218.

Dollar-sensitive electricals nose dived. Siemens plunged DM39 or 9.6 per cent to DM367 and AEG slid DM20.50, or 10.8 per cent, to DM169.50.

ZURICH dropped to a new low for the year as the dollar fell below SFr1.36 for the first time. The Swiss Index posted a 6 per cent drop to 406.50.

Among banks, UBS fell SFr150 to SFr3,370, Swiss Bank Corp closed down SFr20 at SFr358.

Swiss Reinsurance was one of several domestic shares temporarily suspended from trading after their bid prices dropped more than 10 per cent.

Among industrials Ciba-Geigy dropped SFr280 to SFr2,440.

PARIS sank from the start and ended over 6 per cent lower as domestic and foreign selling sent prices into free-fall.

Trading was halted for about 45 minutes and the bourse was evacuated after a bomb scare. Operators were, however, more shell-shocked by the sharp declines before trading was suspended.

Among blue-chip industrial stocks, Peugeot closed with a FFr151 drop to FFr834 after being suspended briefly during the morning following a severe decline. Trading in shares of Lafarge Coppee and Paribas were also halted after 10 per cent falls.

Michelin shed FFr20 to FFr190, L'Oreal was off FFr176 AT FFr2,070 and Hachette fell FFr50 to FFr1,950.

BRUSSELS was hit by heavy selling, notably in blue chips, which dragged share prices sharply lower. Small investors unloaded their holdings after Monday's declines and as no brakes were applied to the sliding dollar.

The cash market index finished 153 points lower at 3,210.20, a fall of 4 per cent, to its level of July 1986.

Belgium's two top holdings fell sharply. Reserve, the share of Societe Generale de Belgique, lost BFr115 to Bfr2,190 and GBL shed BFr110 to BFr2,560.

In chemicals, Petrofina lost BFr470 to BFr8,930 and Solvay shed BFr750 to BFr9,050.

OSLO was depressed by continuing dollar worries and the effect on North Sea oil revenues. The general index lost 16.96 to 307.48, a new two-year low.

Norsk Data 'B' shares lost NKr7.5 to NKr81. Norway's largest diversified company said it had scrapped immediate plans for a rights issue of NKr3bn to NKr3.5bn because of the sharp falls in its share price.

Elkem dropped NKr7 to NKr55, while Orkla Borregaard added NKr2.5 to NKr317.5 after dropping NKr21 on Monday.

STOCKHOLM staged a last minute rally which came too late to lift severely depressed prices off their earlier drop of 5 per cent. The Affaersvaerlden index lost 36.1 to 621.9, a slide of 5 per cent.

The continuing slide of the dollar hit Volvo hard, knocking SKr17 off the share price to SKr242. Stora also closed SKr17 down at SKr263.

Asea fell SKr10 to SKr290, SKF lost SKr10 to SKr190, Skanska declined SKr23 to SKr250 and Electrolux shed SKr12 to SKr200.

MILAN saw a day of choppy trading with a rally in selected blue chips and sharp losses in insurers and textiles. The MIB index ended unchanged at its 1987 low of 661.

Fiat rose almost 5 per cent, adding L375 to L8,340 but slipped in after-hours trading.

Montedison, expected to delay a L1,000bn capital increase, lost L20 to L1,410.

MADRID resumed trading after a national holiday and promptly dropped on opening. Early losses widened throughout the day and the general index closed down 10.41 at 221 in thin trade.

Hefty losses in banks showed the way down. Banestro dropped 50 percentage points

LONDON

THE UK equity market managed a strong performance yesterday despite continuing uncertainties over the dollar and sharp slides on other European markets.

The FT-SE index plunged by 58 points in early trading, to touch 1,515 but turned around show a net gain of 8.3 at 1,573.5.

Gilts succumbed to profit-taking after an initial uptick in money market rates. Long-dated UK gilts dipped by a full point in London before trying to rally but ended with net losses of a point at the long end. Index-linked gilts closed with further gains after an erratic session. Net gains ranged from ¼ to a full point.

SOUTH AFRICA

LATE BUYING kept share prices in Johannesburg off their lows but worries over share price retreats in Europe, Asia and New york sent prices sharply lower.

A lower gold price also contributed to selling pressure and gold shares suffered the worst drops with losses as much as R25, pushing the all-gold index down by 95 points to 1,493.

Randfontein dropped R25 to R282, Vaal Reefs lost R15 to R290 and Southvaal was off R18 at R135 while Western Deep shed R11 to R130.

Driefontein was R2.75 lower at R64.25 rand, Kinross and Harties both lost R2 to R50 and R21 respectively while Bracken was 10 cents lower at R6.60 and Leslie declined 40 cents to R5.20.

Platinum share Rustenburg was R2 down at R29 and Impala lost R1.75 to R29.

In diamonds, De Beers was R1.75 lower at R29.25.

Dutch banks offer some resistance in slump

PICKING through the debris of the stock market collapse in Amsterdam one finds few bright spots, *writes Laura Raun in Amsterdam.*

The threat of slower world trade and an even lower dollar are double blows to a bourse which is so internationally oriented.

However, there, nevertheless, are some bright spots.

Dutch banks, those eminently conservative financial institutions, have held up better than the market as a whole during the past fortnight. Their share prices have fallen about 7 per cent instead of the 16 per cent for the market overall.

Banks are somewhat insulated from the Netherlands' merchandise exports, where growth was expected to diminish even before the market crash.

Because they derive most of their income at home, banks are also less vulnerable to the weaker dollar than exporters.

Insurers have fared better than the market for the same reasons. Insurers have retreated 13 per cent during the past two weeks.

Trading companies have also weathered the storm better than many. Despite the prospect of slower world trade these companies can benefit from what expansion does occur with less exposure to the dollar because their currency risks are spread widely.

But, whatever the pockets of resistance, the falls continued yesterday under the threat of further falls in the dollar.

The CBS tone index skidded 5 per cent to 58.7, leaving the bourse 35 per cent below levels before Black Monday and roughly on a par with share prices in early 1985.

Borsumij-Wehry, a leading trading company, was one of few stocks to avoid yesterday's plunge, closing just 50 cents lower at Fl 69.

Banks and insurers fell less than the market average, with Algemene Bank Nederland down to Fl 35.50 from Fl 36.20 and Nederlandsche Middenstandsbank dropping to Fl 121 from Fl 124.50.

Among insurers, Nationale Nederlanden slipped to Fl 43.90 from Fl 45.30, while Aegon declined to Fl 47.60 from Fl 49.40.